

MAY 2026

Investment Navigator

Asia Edition



Energy Security: How to Profit?



In this edition, we explore

- how AI and electric grid modernisation are driving energy demand;
- the risks of overreliance on fossil fuels;
- the surge in renewables and nuclear energy; and
- who stands to benefit in this evolving energy crisis.

Energy security is dominating investor agendas, fuelled by persistent geopolitical risks in Ukraine and Iran as well as the escalating energy requirements of AI technologies. As trade localises, countries are focused on securing energy security to navigate an increasingly uncertain future. Key trends include:



Record Investment in Energy: Global energy investment hit an all-time high of approximately US\$3.3 trillion (tn) in 2025, with US\$2.2 tn flowing into clean energy technologies (renewables, grids, storage, nuclear, electrification), versus US\$1.1 tn into fossil fuels.



Solar and Battery Storage: Global solar investment leads with roughly US\$450 billion (bn) annually, while battery storage investments exceeds US\$65 bn.



Grid Investment Gap: Electricity grid investment stands at about US\$400 billion per year, but the International Energy Agency (IEA) warns this is insufficient to maintain long-term electricity security as demand accelerates.



China's Dominance: China now accounts for nearly one-third of global clean energy investment, spending almost as much as the US and EU combined.



Renewable Resilience: Renewable energy capacity reached nearly 50% of global installed electricity capacity in 2025, improving resilience against oil and gas price shocks.

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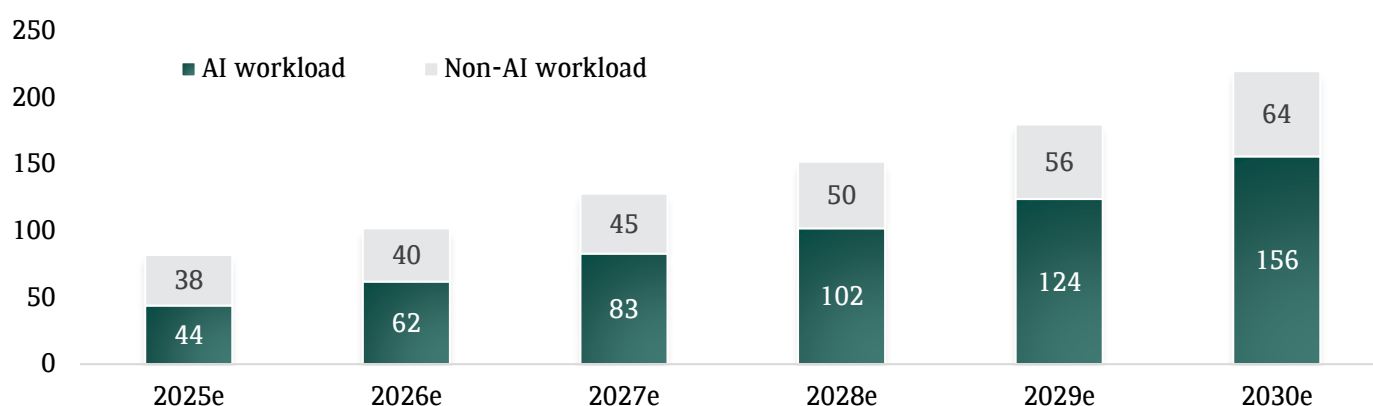




The driver of energy consumption

AI will drive a large-scale investment in power generation, but the electric grid is an often-overlooked key enabler. Grid modernisation, transmission, transformers, and energy storage are key strategic bottlenecks. Authorities can boost investment through attractive regulated returns, policy support, and growing power demand. Global data center electricity consumption is projected to more than double in the next four years. An electrical grid investment of US\$400 billion per year remains insufficient for energy security. Companies involved in electricity generation, power infrastructure, and electrical-grid-related activities stand to benefit.

Figure 1: Estimated global data center capacity demand (Gigawatts)



Source: McKinsey, Gartner reports, IDC reports, Nvidia capital markets reports, BNP Paribas WM as of 30 Dec 2025.



The overreliance on fossil fuels

While the Iran War has reminded the world of energy security and its over-reliance on fossil fuels, they remain a key part of the energy equation. Oil demand is still rising globally, driven by rising incomes and population growth. Oil demand could rise modestly to 113 million barrels per day (mb/d) by 2050, up from 100 mb/d today. Furthermore, countries are poised to increase their ability to produce and store their own oil supply in the wake of the recent Ukraine and Iran wars, seeking greater energy security. This means countries such as the US, Brazil, and the Middle East are poised to benefit in the medium term.

The US produces more oil than Russia and Saudi Arabia combined. They are currently shipping 8.2 mb/d of refined products and a record 6.4 million barrels of crude oil for export, following the closure of the Strait of Hormuz. Oil producers, explorers, and oil service companies are poised to benefit from increased capital expenditures (capex) in the coming years. This follows a period of lower capex and capital returns in prior years.

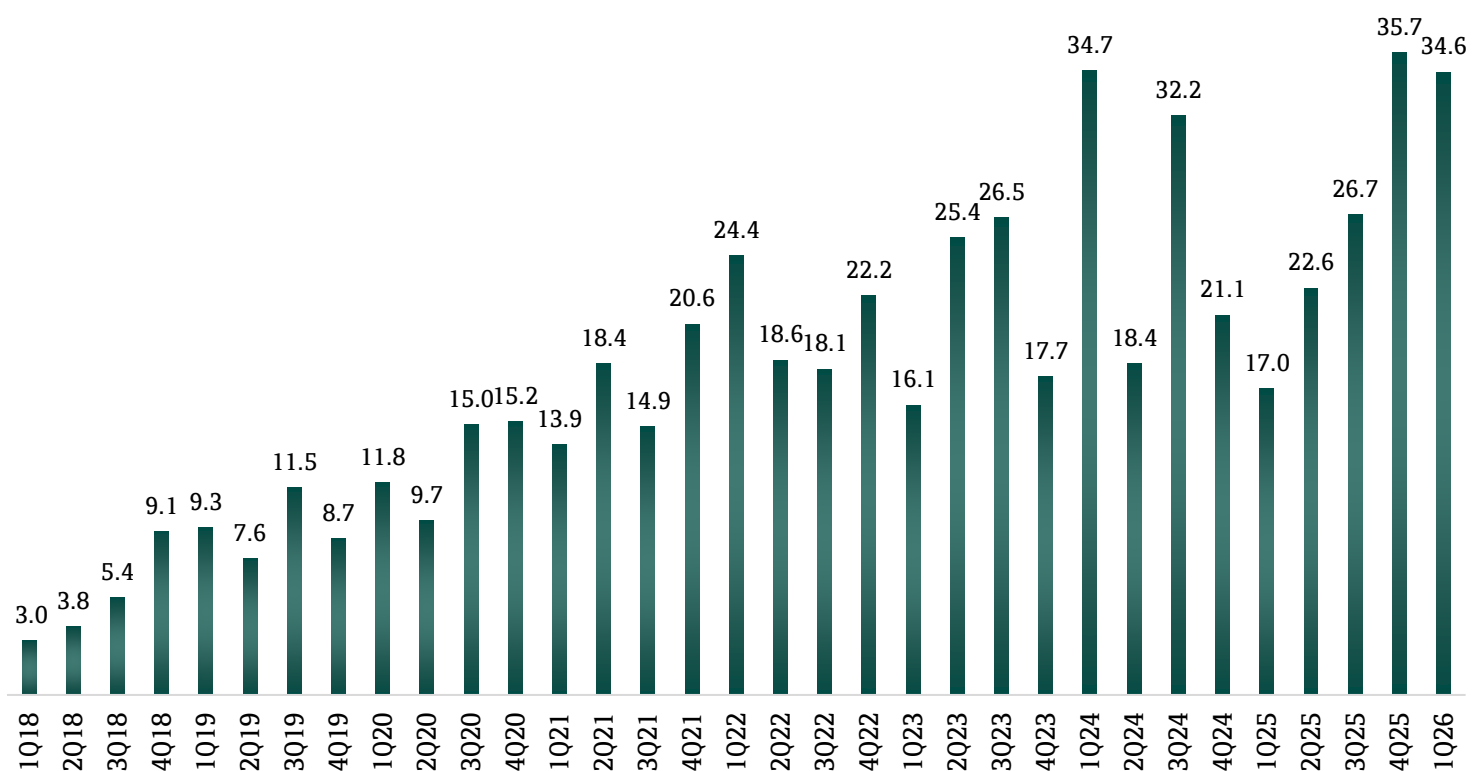
Natural gas will serve as a key transition fuel and will benefit from AI-driven demand. Again, the US is a leader in the space, providing opportunities in LNG, regasification, and exploration. In addition, oil storage will need to be refilled, leading to a higher oil price in the medium term.



The growing demand of renewables

The closing of the Strait of Hormuz has put in stark view the over-reliance on a narrow chokepoint for fossil fuels, boosting demand for diversification of energy generation sources. Energy transition is arguably more urgent and likely to remain a priority for many major economies from this onward. Unlike fossil fuels, wind, hydro and solar energy incur no "fuel cost" that can be influenced by geopolitical developments.

Figure 2: Quarterly additions to US utility-scale pipeline, Gigawatts (GW), 1Q18-1Q26



Source: SNL Financial, Goldman Sachs Global Investment Research, as of 8 May 2026.



Amongst the renewables, solar is one of the fastest-growing power sources due to its record-low costs and rapid deployment, as infrastructure can come on-line in 1-2 years, compared to longer timelines for nuclear and other power sources. In 2025, installations of 600-700 GW are expected, with China leading but with strong contributions from Europe, the US, and India. Annual additions could reach 700-900 GW by the end of the decade. Solar remains the key renewable sub-sector and is likely to represent 80% of renewable capacity additions through 2030. Cumulative global solar capacity stands at 2TW and is on track for over 4TW in new wind and solar in the next five years. China leads as the low-cost producer in this space, presenting significant investment opportunities, with solar emerging as a key beneficiary.



The resurgence of nuclear energy

Nuclear energy remains the second-largest source of low-carbon electricity globally, trailing only hydropower. Crucially, the global reactor fleet operates at a capacity factor of approximately 83%, meaning nuclear plants run at full power more consistently than any other energy source (such as wind or solar, which are weather-dependent). In short, nuclear energy provides a stable baseload power supply at a time when grids remain underdeveloped.

As of early 2026, nuclear energy accounts for approximately 9% of the world's total electricity generation. While electricity generation is the most common way to measure nuclear energy's contribution, its share of broader total primary energy consumption (which includes fuels for transport, heating, and industry) is lower, at roughly 4% to 5%. As for data centres, nuclear energy accounts for about 15% of the electricity mix currently and is slated to increase in the coming years.

As of today, more than 30 countries have pledged to increase nuclear capacity by more than 300% by 2050. While nuclear reactors have long lead times for construction and approvals, new innovations in small modular reactors (SMRs) could help debottleneck some of the traditional development timelines. Uranium also appears undervalued given long-term demand in this sector.



Beneficiaries of this energy crisis

Naturally, the Middle East conflict has galvanised demand for the energy transition and infrastructure. In April 2026, industrial metals recovered from their March correction, as fears of an economic slowdown were more than offset 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.

We remain positive on industrial metals over the next few years, with the view that demand is likely to outpace the limited supply growth for base metals. We remain most positive on **copper, aluminum and uranium** (driven by strong demand growth from nuclear energy and data centres).

From an equity perspective, the energy and mining sectors are likely to benefit in the aftermath of the US-Iran war. Global economies should continue to diversify their energy sources, with many even restarting coal plants or expanding domestic oil drilling to fill energy shortfalls and support diversification. Countries that are dominant in the mining space, such as Australia and China, are the main beneficiaries. These currencies could see rising demand given the ongoing commodity boom cycle.

Overview of our CIO Asset Allocation for May 2026

	Views		Constituents	We like	Comments
	Current	Prior			
EQUITIES	=	=	Markets	LATAM	<ul style="list-style-type: none"> Global Equities remain Neutral. Japan and EM Neutral (China, Korea & Taiwan Neutral, rest of Asia is Underweight) Europe Underweight
			Sectors	Overweight Healthcare, Industrials. For Europe: Healthcare, Industrials, Utilities	<ul style="list-style-type: none"> Sector selection is key Stay diversified
			Styles/ Themes	Megatrend Themes	<ul style="list-style-type: none"> Diversification, income, AI, infrastructure, commodities and Asian themes
BONDS	=	=	Govies	UK EU	<ul style="list-style-type: none"> We stay Overweight on core Eurozone govies favouring maturities 7-10 years. 10-year Bund target 2.75% We remain Neutral US govt favouring maturities up to 5 years Our 12-month US 10Y yield target remains unchanged at 4.25%
			Segments	EUR and GBP Investment grade	<ul style="list-style-type: none"> We are Neutral US investment grade bonds We are Overweight UK and Euro investment grade bonds
CASH	=	=			
COMMODITIES	+	+		Gold Silver Copper Aluminium	<p>Precious Metals:</p> <ul style="list-style-type: none"> Silver - remains Overweight (\$90/oz) Gold - remains Overweight (\$5,500/oz) <ul style="list-style-type: none"> Oil - Underweight (12m \$70-80) Base Metals - Overweight, especially like Copper and aluminium
FOREX			EURUSD		<ul style="list-style-type: none"> 12-month target at 1.20
			USDJPY		<ul style="list-style-type: none"> 12-month target at 155
ALTERNATIVE	+	+		Hedge funds (global macro, long-short equities, event driven)	<ul style="list-style-type: none"> Neutral on relative value

Note: + Overweight / = Neutral / - Underweight

GDP & CPI Forecasts

		GDP (YoY%)			CPI (YoY%)		
		2025	2026f	2027f	2025	2026f	2027f
Developed	US	2.1	2.4	2.3	2.7	3.3	2.8
	Japan	1.2	0.5	0.4	3.1	2.7	3.2
	Eurozone	1.5	1.0	1.3	2.1	3.0	3.3
	UK	1.4	0.7	1.2	3.4	3.6	3.3
North Asia	China	5.0	4.6	4.5	0.0	1.3	1.4
	Hong Kong*	3.5	2.4	2.4	1.4	2.1	1.8
	South Korea	1.0	2.7	1.9	2.1	2.5	2.2
	Taiwan	8.5	7.0	2.5	1.7	1.9	1.9
South Asia	India	7.6	6.6	6.8	2.1	4.5	4.2
	Indonesia*	5.1	5.0	5.1	1.9	3.0	2.6
	Malaysia*	5.2	4.7	4.3	1.4	1.9	2.0
	Philippines*	4.4	4.1	5.8	1.7	4.3	3.2
	Singapore*	5.0	3.5	2.7	0.9	2.3	1.9
	Thailand*	2.4	1.5	2.1	-0.1	0.9	1.0

Source: BNP Paribas Group Economic Research, BNP Paribas Global Markets forecasts as of 30 April 2026

Note: India's forecasts are for the fiscal year (April–March).

* IMF data and forecasts as of 30 April 2026



GROWTH




- We now expect GDP growth to be lower than we did at the start of the year. Even so, we see resilience—dented, not derailed. Strong pre-conflict growth momentum and structural drivers such as AI and defence spending provide countervailing support.
- Structurally higher energy prices will squeeze real incomes. Together with greater geopolitical uncertainty and diminished risk appetite, this will weigh on consumption and investment.






INFLATION

- We have raised our inflation forecasts. Our base case assumes further near-term rises in oil prices, followed by a gradual normalisation, but still at levels above those that prevailed before February 2026.
- Inflation expectations remain anchored, but indirect and second-round price effects from the energy shock are likely.

OVERALL GLOBAL: NEUTRAL

OVERALL GLOBAL: NEUTRAL		
COUNTRY		
		
UK	US, Japan, EM	Europe
SECTOR		
Healthcare Industrials	Comms. Real Estate Materials Consum. Discre. Technology Energy Utilities	Consumer Staples Financials

OVERALL ASIA: NEUTRAL

OVERALL ASIA: NEUTRAL		
COUNTRY		
		
-	China ▲ South Korea ▲ Taiwan	Asia (Others)
SECTOR		
Comms. Consum. Discre. Technology Healthcare	Materials Real Estate Financials Industrials Energy	Utilities Consumer Staples

- **Strong US earnings results:** With over 70% of the S&P 500's market cap reported, 1Q EPS growth estimates have been revised up to 28%. Despite markets hitting record highs, valuations remain reasonable (S&P 500 forward PE at 22x vs 27x in February before the Iran conflicts).
- **Upgrade Korea and Taiwan to Neutral:** Earnings growth is expected to remain strong, driven by continued investment in AI infrastructure and rapid adoption of AI agents. Despite concerns about tech supply-chain disruption due to reliance on Middle East supplies, recent data point to stable oil, gas and helium exports to Korea and Taiwan as the US, Australia and Russia increase their supply share. For example, Korean chipmakers recently signed long-term helium contracts with US firms to secure supply in response to the disruption from Qatar.

- The Korean market is also supported by themes such as energy storage, shipbuilding, defence and nuclear, where Korean players have an edge over peers.
- **China:** The country's dependence on oil and gas is among the world's lowest, as oil and gas accounted for 27% of its primary energy consumption, compared with a global average of 55%. In addition, as many nations race to secure sufficient fertiliser amid supply disruption, China is one of the world's largest fertiliser producers and holds significant fertiliser reserves.

	1-month (%)	YTD (%)	2025 (%)	Dividend Yield (%)	12M Fwd PE (x)	Trailing PB (x)	12M Forward ROE (%)	EPS Growth Past 12M (%)	EPS Growth 12M Fwd (%)	
Developed	US	10.2	5.9	16.9	1.1	23.0	4.9	38.3	32.8	25.6
	Japan	8.2	9.9	24.3	2.0	19.5	1.8	12.4	17.8	10.1
	Eurozone	8.7	8.7	36.2	2.8	15.5	2.1	18.1	17.1	17.2
	UK	6.4	7.1	35.6	3.1	13.0	2.1	20.6	28.8	26.3
North Asia	China	11.1	11.0	26.6	1.5	19.9	3.0	16.5	26.1	53.6
	Hong Kong	4.2	0.5	33.5	3.0	11.0	1.3	14.0	13.7	17.1
	South Korea	32.5	52.3	80.9	0.9	8.2	2.2	20.9	56.9	250.6
	Taiwan	24.3	34.7	36.8	1.7	22.1	4.2	31.8	39.7	51.2
South Asia	India	11.0	-8.9	2.0	1.1	20.8	3.1	19.4	15.0	13.0
	Indonesia	-3.7	-28.0	8.8	2.6	10.9	2.5	16.6	2.8	12.5
	Malaysia	5.4	7.0	15.8	3.5	15.9	1.6	12.2	11.1	12.9
	Philippines	-1.7	-7.5	-2.1	3.8	9.6	1.2	17.8	12.4	7.2
	Singapore	3.2	8.3	37.2	4.1	15.5	1.5	12.7	41.6	4.9
	Thailand	5.6	20.6	2.9	3.4	16.8	1.6	19.5	48.0	12.8

Source: Macrobond Indices in USD terms, BNP Paribas (WM), as of 30 April 2026

OVERALL GLOBAL: NEUTRAL



UK Gilts
Eurozone Govies
EUR and GBP IG

US Treasuries
US IG
EMD (HC)
EMD (LC)

High Yield

OVERALL ASIA (USD): NEUTRAL



Japan
Singapore

South Korea
Philippines
Indonesia
HK, India, China
Australia

-

	Total Return (%)			Yield-to-Worst (%)	
	1-month	YTD	2024		
Asia	Asia USD Bond	0.7	0.4	8.1	4.9
	Asia Local Currency Bond	2.1	-3.9	9.7	4.1
	China	0.4	0.7	7.3	4.8
	Hong Kong	0.4	0.5	8.4	4.7
	India	1.4	1.2	9.6	5.5
	Indonesia	1.7	-0.6	8.9	5.3
	Singapore	0.2	0.2	6.6	4.5
	South Korea	0.3	0.6	7.1	4.4
	Philippines	1.2	-0.5	9.1	5.2
Other Regions	US 10-year Treasuries	-0.1	-0.4	7.8	4.4
	US Investment Grades (IG)	0.1	0.1	7.3	4.6
	US High Yield (HY)	1.7	1.2	8.6	7.0
	Emerging Market USD Bond	0.9	0.5	8.3	5.2

Source: Barclays indices, Bloomberg, BNP Paribas (WM) as of 30 April 2026

US Treasury 12-month Yield Targets (%)	2Y	5Y	10Y	30Y
	▲ 3.80	▲ 4.00	4.25	4.90

- Rate Forecasts:** In the latest meetings, the ECB, Fed, and BoE held their policy rates steady. **The Fed should stay on hold through 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 this year.** They will remain data dependent especially monitoring second-round effects.
- Govies:** We maintain **Overweight** on our core eurozone govies view which was upgraded last month. Our 10-year yield target for the bund remain at **2.75%**, and we favour maturities of 7-10 years. We maintain an **Overweight** view on UK gilts, and we have a target at 10Y yield target of 4.30%. We keep a **Neutral** stance on US govies with maturities up to 5 years (10-year yield targets at 4.25%).
- Corporate IG:** We still prefer **EUR and GBP IG corporate bonds (Overweight view)** to **USD IG bonds (Neutral view)** given supply dynamics and the level of yields/spreads. We focus on quality.
- Emerging Market (EM):** We are more cautious on risk assets. EM central banks have less scope to cut rates, and we see limited downside for the USD. We are **Neutral** on EM bonds in local currency and in hard currency bonds. Valuations are not favourable.
- High Yield (HY):** We maintain an **Underweight** on corporate high yield. Spreads pulled back after the initial rise. They do not sufficiently compensate for underlying risk. HY spreads remain close to historical lows. They are unlikely to tighten meaningfully even in a de-escalation scenario.

12-MONTH FOREX VIEW



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

- AUD:** The RBA raised its policy rate by 25 bps to 4.35% in May. 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 change our 3-month AUD/USD target to 0.73 and our 12-month target is 0.71.**
- USD:** Depreciated on the cease-fire news, remaining quite correlated with oil prices. The re-opening of the Strait of Hormuz remains critical to restoring risk appetite. In the medium-term, the US continues to face tail risks related to debt sustainability. Deficits are high and any further escalation would increase defence spending, while the upcoming mid-term elections in the US may prompt a household stimulus package. In our view, the risk related to debt is underpriced by the market. The dollar should weaken gradually once the dust settles. **Accordingly, our 3-month DXY target is 100.7 and our 12-month target is 96.2.**

COMMODITIES



Gold		
Silver	-	
Base Metals		▼ Oil

- PRECIOUS METALS:** Near-term conditions remain volatile given the negative correlation with oil prices; however, longer-term drivers remain intact. **We remain Overweight on gold and other precious metals, with unchanged target prices of USD 5,500 for gold and USD 90 for silver, implying greater upside potential following the recent correction.**
- OIL:** **We downgrade our 12m view on Brent oil price to Underweight from Neutral, with a target range of USD 70-80.** We expect a correction once the Strait of Hormuz re-opens. In the near term, however, there could still be **ongoing upward price pressure.**
- BASE METALS:** **We maintain our Overweight view, as a recession scenario is not our base case.** Over the coming years, we expect that growing demand for infrastructure and the energy transition will outpace expected supply growth. **We remain Overweight on copper and aluminum.**

Forex Forecasts

		Spot	3-month		12-month	
		As of 30 Apr 2026	View	Target	View	Target
Developed	USD Index	98.06	=	100.7	-	96.2
	Japan	156.6	=	158	+	155
	Eurozone	1.173	-	1.14	+	1.20
	UK	1.360	-	1.31	+	1.38
	Australia	0.720	+	0.73	=	0.71
	New Zealand	0.591	+	0.60	+	0.60
	Canada	1.358	=	1.38	=	1.35
Asia Ex-Japan	China	6.832	=	6.80	=	6.80
	South Korea*	1,477	=	1,450	+	1,420
	Taiwan*	31.67	=	31.5	=	31.3
	India	94.92	=	95.0	=	95.0
	Indonesia*	17,353	=	17,400	=	17,400
	Malaysia*	3.972	=	3.95	=	3.95
	Philippines*	61.57	=	60.0	=	60.0
	Singapore*	1.273	=	1.27	=	1.25
	Thailand*	32.60	=	32.5	=	32.5

Source: BNP Paribas (WM) as of 30 April 2026

*BNP Paribas Global Markets forecast as of 30 April 2026

Note: + Overweight / = Neutral / - Underweight

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