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WEALTH MANAGEMENT

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JUNE 2026

Investment Navigator
Asia Edition

Mid-Year Outlook 2026

Navigating a Multipolar World – From Geopolitical Risk to AI Upside

Global markets have been dominated by a tale of two realities in 1H 2026: (1) geopolitical anxiety and (2) AI optimism. On one hand, geopolitical headlines surrounding the conflict in Iran have heightened market volatility and inflation concerns, particularly amid severe energy supply disruptions caused by the closure of the Strait of Hormuz. On the other hand, FOMO (fear of missing out) momentum has driven a record rally in AI and semiconductor equities, underpinned by robust Q1 earnings and resulting in new all-time highs, particularly in the US, Japan, South Korea, and Taiwan markets.

In this Investment Navigator – June 2026 edition, we discuss our macro outlook and the investment themes for 2H 2026 by addressing three key questions:

1. What is our base case scenario for the Middle East conflict and its economic implications?
2. Given the sharp run-up in AI stocks, how should investors navigate the investment landscape?
3. How should investors position themselves for a potentially more inflationary environment?

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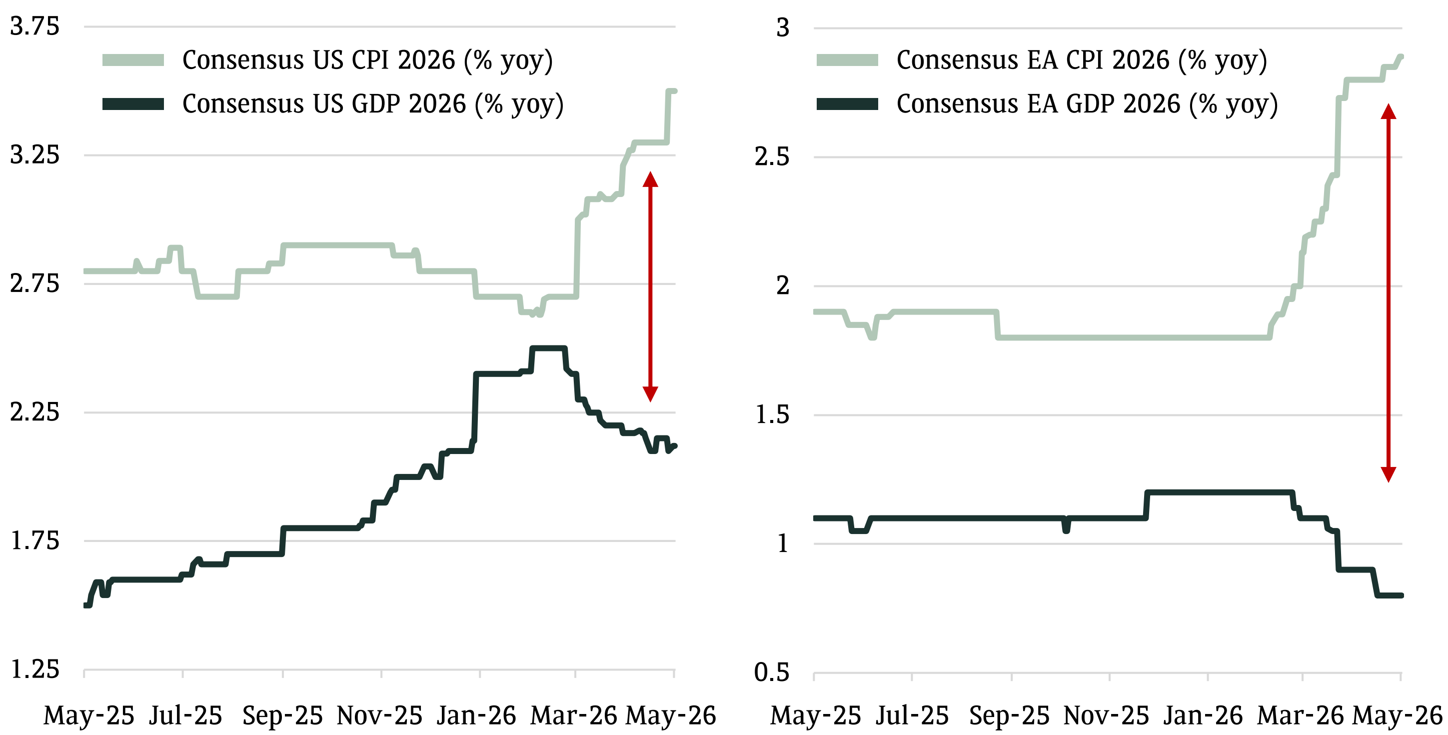
What is our base case scenario for the Middle East conflict and its economic implications?

Despite the energy disruption, major economies are showing unexpected resilience, particularly across business sectors, though consumer sentiment is weakening in energy-vulnerable regions such as Europe and Asia. **We anticipate a gradual de-escalation of the Middle East conflict in the coming weeks**, driven by political pressure surrounding the upcoming US mid-term elections and the risk that Iran could be forced to halt energy production.

While **global economic growth will likely slow this year**, a recession would be avoided, and fiscal measures should keep global growth relatively stable. **Inflation remains the primary concern**. It is driven by conflict-related infrastructure damage, alongside ongoing supply chain constraints, and surging energy prices have elevated inflation globally, including in the US.

With the conflict de-escalation and a weakening of economic activity possibly in sight, we assume that companies will be less able to pass recent cost increases on to final prices. This should contain second-round inflation effects, keeping the rise in core inflation modest in both magnitude and duration. Consequently, central banks are likely to act prudently. **We expect the Fed to keep rates on hold this year, while we now forecast one rate hike in June from the European Central Bank (ECB) and one hike in July from the Bank of England (BoE).**

Figure 1: **Crude oil's cruel reality – Global economies are heading to slower growth but higher inflation**



Source: Bloomberg, BNP Paribas WM, as of 29 May 2026.

Given the sharp run-up in AI stocks, how should investors navigate the investment landscape?

Theme 1 Ride the Bull, but Guard the Gains

Despite the spike in geopolitical uncertainty and the record disruptions to the world's energy supply, particularly oil and gas, the stock bull market has remained resilient, entering its fourth year and reaching new highs in 1H 2026. With the sharp rally in AI stocks in 1H 2026, the first investment theme of "***Ride the bull but guard the gains***" is clearly even more relevant today than ever. **We believe that maintaining exposure to stocks while adding some protection or diversification remains very much in order**. Investors should balance potential positive stock market returns against the ever-present risk of a market correction by considering:

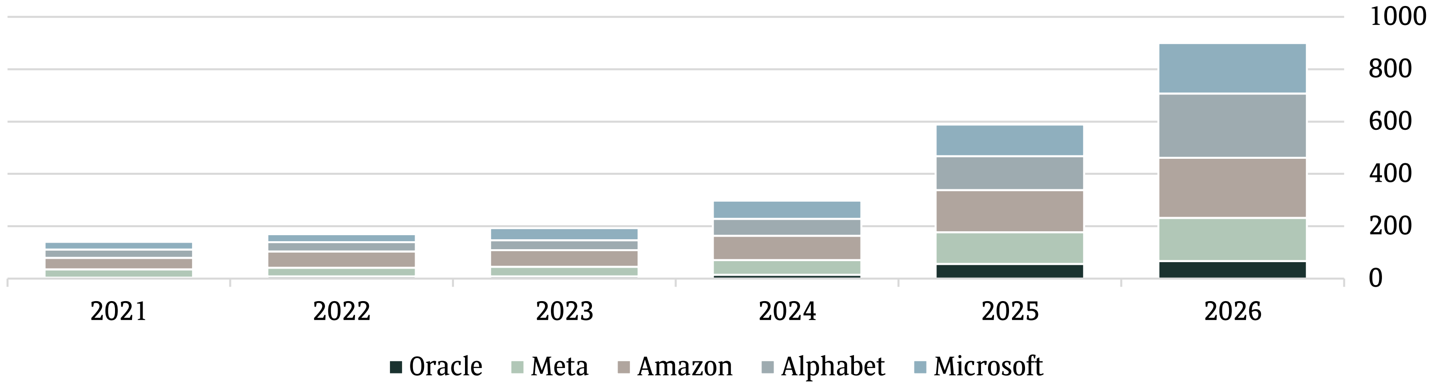
- Partially or fully-capital guaranteed structured solutions
- Multi-asset funds/portfolios
- Rebalancing towards laggard, dividend and defensive stocks and sectors
- Hedge fund strategies (long/short, market neutral, event driven)
- Commodities (precious metals and base metals)
- Private equity and infrastructure

Theme 2 Beyond Algorithms: The New AI Frontiers

Our second investment theme is "***Beyond algorithms, the new AI frontiers***". While the "picks and shovels" of AI, specifically semiconductor manufacturers, have already delivered exceptional performance, our focus is shifting to the **next wave of infrastructure. This includes investing in the AI power bottleneck, targeting power generation and transmission infrastructure, as well as raw materials such as optical fibre and copper for wiring. We also like robotics**, which remains a powerful sub-theme related to physical AI.

Figure 2: **One man (hyperscalers)'s CapEx is another man (AI infrastructure)'s revenue**

Next twelve months (NTM) CapEx estimates in USD billion



Source: Bloomberg, BNP Paribas WM, as of 29 May 2026

How should investors position themselves for a potentially more inflationary environment?

Hopes for a US-Iran deal have increased which is likely to include a reopening of the Strait of Hormuz. If Hormuz does normalise, we still think the Brent oil price is likely to settle at around USD 80/barrel, a level higher than pre-war. Combined with AI capex inflation and early signs of a retightening in labour markets, **we think inflation fear is likely the next key risk that the market currently underestimates.**

Historically, commodities and infrastructure have been good hedges against inflation. They tend to outperform traditional stocks and bonds because their underlying value is tied to physical assets and essential services, rather than future earnings.

Theme 3 Welcome to the New Age Of Scarcity

Our third investment theme is ***"Welcome to the new age of scarcity"*.** We believe **the commodities "super cycle" remains in play,** driven by post-COVID demand, the war in Ukraine, US tariffs in 2025, and now the Iran conflict. These events continue to drive demand for precious metals, industrial metals, and now energy. Commodities have far outpaced stocks, bonds and real estate in prior periods of sustained inflation volatility, such as the 1970s and 1980s. Precious metals, industrial metals, soft commodities and (now) energy have all delivered at different points in time. In a multipolar world where geopolitical friction continues to escalate, commodities remain a key component of a truly diversified investment portfolio.

Theme 4 Infrastructure is the Backbone of the Modern Economy

The fourth investment theme is ***"Infrastructure is the backbone of the modern economy".*** This asset class encompasses all the strategic assets that are essential to our economies and owned by private investors, including toll roads, ports, airports, power grids, data centres, pipelines, as well as social infrastructure, such as hospitals and student accommodation. These assets **generate stable revenue streams and are relatively immune to economic cycles.** Their **cash flows are also generally linked to inflation through contractual or regulatory frameworks, providing an immediate and natural hedge against inflation**.

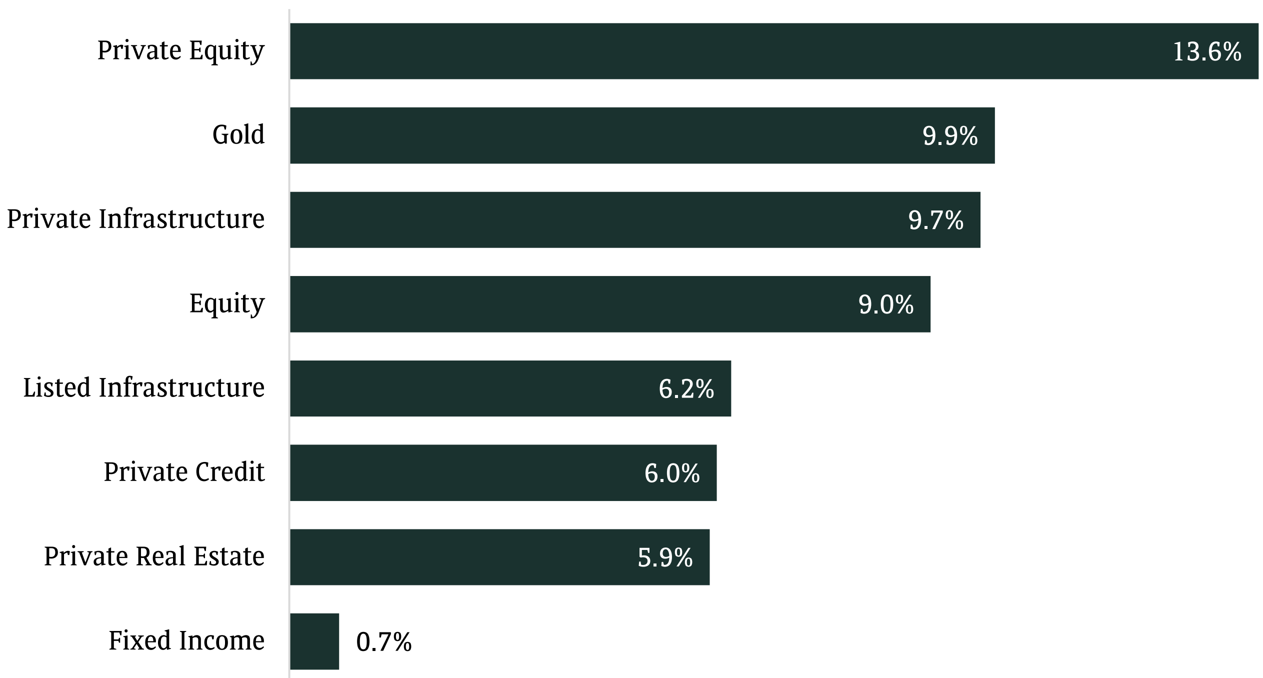
The five key drivers that support infrastructure growth are:

- Energy security
- Electrification of the world economy
- Growing demand of digitalisation
- Structural growth in air and rail transport
- Reconstruction in Ukraine and the Middle East

Overall, **infrastructure offers a compelling combination of resilience, long-term visibility, inflation protection, and effective portfolio diversification.**

Figure 3: **Private infrastructure funds have outperformed stocks over 10 years**

Average annual 10-year return in %, USD



Source: Franklin Templeton, BNP Paribas WM, as of mid-2025. Returns are in USD.

Overview of our CIO Asset Allocation for June 2026

	Views: Current	Views: Prior	Constituents	We like	Comments
EQUITIES	=	=	Markets	LATAM	■ **Global Equities remain Neutral.** ■ **Downgrade UK from Overweight to Neutral** ■ **Japan and EM Neutral (China, Korea & Taiwan Neutral, rest of Asia is Underweight)** ■ **Europe Underweight**
			Sectors	US: Healthcare, Industrials. Europe: Healthcare, Industrials, Utilities	■ **Downgrade Energy from Neutral to Underweight**
			Styles/ Themes	Megatrend Themes	■ Diversification, income, AI, infrastructure, commodities and Asian themes
BONDS	=	=	Govies	UK EU	■ **Overweight core Eurozone govies,** favouring maturities 7-10 years, and **UK gilts.** ■ **Neutral on US govies,** favouring maturities up to 5 years ■ 12-month US 10Y yield target remains unchanged at 4.25%
	+	+	Segments	EUR and GBP Investment grade	■ Neutral on US investment grade bonds ■ Underweight High Yield bonds ■ Neutral on EM bonds
CASH	=	=			
COMMODITIES	+	+		Gold Silver Copper Aluminium	**Precious Metals:** ■ Silver – Overweight **(12m USD 90/oz)** ■ Gold – Overweight **(12m USD 5,500/oz)** **Oil – Underweight (12m USD 70-80)** **Base Metals:** ■ Copper – Overweight **(12m USD 15,000/metric tonne)** ■ Aluminium – Overweight **(12m USD 3,800/metric tonne)**
FOREX			EURUSD		■ 12-month target at 1.20
			USDJPY		■ 12-month target at 155
ALTERNATIVE	+	+		Hedge funds (global macro, long-short equities, event driven)	■ 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	3.8	3.0
	Japan	1.1	0.5	0.4	3.1	2.4	3.4
	Eurozone	1.5	1.0	1.3	2.1	3.0	3.3
	UK	1.4	0.7	1.2	3.4	3.4	3.2
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	2.6	2.3
	Taiwan	8.7	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 29 May 2026
Note: India's forecasts are for the fiscal year (April–March).
** IMF data and forecasts as of 29 May 2026*

GROWTH

- We expect slower economic growth in 2H 2026, but no recession. While manufacturing Purchasing Manager's Index (PMI) remains generally resilient, services PMI show clearer signs of weakness.
- 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

- Inflation risks remain elevated as supply chain pressure re-emerge. Even if the Strait of Hormuz reopens, oil price will likely settle at a higher level than pre-war. Combined with AI capex inflation and early signs of a retightening in labour markets, inflationary pressure is building up.

OVERALL GLOBAL: NEUTRAL

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

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

- **Stay Neutral Overall Equities:** AI infrastructure remains a key driver of earnings optimism and provides structural growth opportunities. However, the Strait of Hormuz remains effectively closed, creating uncertainty on the extent of energy disruption and in turn the inflation outlook.
- **Downgrade UK to Neutral**: Ongoing political turmoil, rising yields and weak results of certain major index constituents could weigh on investor sentiment in the short term.
- **Downgrade Energy to Underweight:** The sector may have reached peak earnings and margins, as our base case assumes a near-term resolution to the Middle East conflict.

- **Neutral on China:** We expect A-shares to continue outperforming H-shares in the short term. However, the rally so far has not been broad-based, with positioning and performance remaining highly concentrated. China's tech-heavy ChiNext Index (A-shares) continues to hit record highs, while large internet platforms (H-shares) are lagging behind. Rotation has occurred only within AI tech, rather than shifting to "old economy" sectors.
- **Neutral on Korea and Taiwan**: Emerging Market (EM) Index has become more Taiwan- and Korea-heavy, accounting for 25% and 23% respectively. The sharp rally in Korean memory chips raises concerns about crowded positioning, rather than valuations, as robust earnings have kept PE ratios reasonable.

		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	5.2	11.1	16.9	1.1	23.8	5.1	39.6	41.6	29.1
	Japan	4.1	14.4	24.3	2.1	18.9	1.9	12.4	26.0	9.4
	Eurozone	3.4	12.0	36.2	2.7	15.8	2.1	18.3	21.0	17.6
	UK	-0.6	6.2	35.6	3.1	12.7	2.2	20.7	34.7	22.1
North Asia	China	1.3	12.4	26.6	1.4	21.5	3.1	16.8	30.1	62.3
	Hong Kong	0.3	0.8	33.5	3.0	10.9	1.3	14.2	12.4	23.3
	South Korea	26.0	91.9	80.9	0.7	9.8	2.8	21.9	101.3	303.5
	Taiwan	17.4	58.2	36.8	1.5	25.2	4.8	31.8	48.0	54.8
South Asia	India	-1.1	-9.9	2.0	1.2	20.2	3.3	19.7	11.4	18.9
	Indonesia	-19.0	-41.7	8.8	3.6	11.8	2.1	16.5	17.1	15.9
	Malaysia	-0.6	6.4	15.8	3.4	15.8	1.6	12.5	16.4	12.5
	Philippines	-0.8	-8.2	-2.1	3.9	9.4	1.2	19.6	17.2	8.3
	Singapore	1.5	9.7	37.2	4.2	15.8	1.5	12.7	7.8	2.8
	Thailand	6.0	27.8	2.9	3.1	17.5	1.7	20.0	52.8	14.4

Source: Macrobond Indices in USD terms, BNP Paribas (WM), as of 29 May 2026

OVERWEIGHT NEUTRAL UNDERWEIGHT

OVERALL GLOBAL: NEUTRAL		
Overweight	Neutral	Underweight
UK Gilts Eurozone Govies EUR and GBP IG	US Treasuries US IG EMD (HC) EMD (LC)	High Yield

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

		Total Return (%) 1-month	Total Return (%) YTD	Total Return (%) 2024	Yield-to-Worst (%)
Asia	Asia USD Bond	0.4	0.8	8.1	5.0
	Asia Local Currency Bond	-1.7	-5.6	9.7	4.2
	China	0.5	1.2	7.3	4.9
	Hong Kong	0.3	0.8	8.4	4.8
	India	0.6	1.8	9.6	5.4
	Indonesia	0.4	-0.2	8.9	5.4
	Singapore	0.2	0.5	6.6	4.6
	South Korea	0.2	0.9	7.1	4.5
	Philippines	0.1	-0.3	9.1	5.2
Other Regions	US 10-year Treasuries	-0.2	-0.6	7.8	4.5
	US Investment Grades (IG)	0.3	0.4	7.3	4.7
	US High Yield (HY)	0.5	1.7	8.6	7.0
	Emerging Market USD Bond	0.5	0.9	8.3	5.2

Source: Barclays indices, Bloomberg, BNP Paribas (WM) as of 29 May 2026

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

- **Rate Forecasts**: The Strait of Hormuz has been closed for longer than expected, increasing pressure on the ECB and the BoE. This remains the case even though we expect a de-escalation in the coming weeks. Both central banks have more explicit inflation targeting. As a result, **we now expect them each to raise their policy rate once this year: the ECB in June and the BoE in July. We expect the Fed to stay on hold through 2026.**
- **Govies: We maintain Overweight on our core eurozone govies** as long as the German 10-year yield is above 3%. Our **10y yield target for the bund remains at 2.75%, and we favour maturities of 7-10 years.** We remain **Overweight on UK gilts, with a 10y yield target of 4.3%. We remain Neutral on US govies** with maturities up to 5 years.
- **Corporate Investment Grade (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. We upgrade Australian credit to Overweight.
- **Emerging Market (EM): We remain cautious on EM risk assets.** EM central banks are raising rates and some EM currencies are weakening. **We are Neutral on EM bonds in local currency and hard currency bonds.** Valuations are not favourable. We downgrade Indonesia and the Philippines credit to Underweight.
- **High Yield (HY): We maintain Underweight on corporate high yield.** Spreads have fallen back close to their historical lows even though uncertainty remains high. They do not compensate for the the underlying risk. They are unlikely to fall back further even in a de-escalation scenario.

12-MONTH FOREX VIEW

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

COMMODITIES

Overweight	Neutral	Underweight
Gold Silver Base Metals	-	Oil

- **JPY:** The Bank of Japan (BoJ) kept its policy rate at 0.75% in April. Renewed inflation pressures in Japan could pressure the BoJ to act. We expect the BoJ to hike in June, and then roughly every four-to-five months. We thus expect the Yen to appreciate. **Our 3-month USD/JPY target is 158 and our 12-month target is 155 (value of one USD).**
- **USD:** The USD has resisted well due to its safe haven status thus far. Other drivers have been the market's AI-driven optimism and the fact that markets now price in a rate hike. We still expect a gradual shift of capital away from the USD towards other currencies as we see more geopolitical de-escalation. US tail risks linked to larger fiscal deficits and debt, due to higher defence spending and a pre-election stimulus, appear underpriced by the market. **Accordingly, our 3-month DXY target is 100.7 and our 12-month target is 96.2.**
- **PRECIOUS METALS:** Although precious metals have lost some momentum due to higher bond yields and stronger USD, the long term drivers are still intact. **We remain Overweight on gold and other precious metals, with unchanged 12m target prices of USD 5,500 for gold and USD 90 for silver**, which implies higher upside potential after the recent correction.
- **OIL: We maintain our Underweight with a target range of USD 70-80.** We expect the Strait of Hormuz to re-open soon. Although the remainder of 2026 will still face scarcity, **our view on 12m is more bearish** with a strong likelihood of a return to global overproduction combined with less Organization of the Petroleum Exporting Countries (OPEC) discipline.
- **BASE METALS**: **We maintain our Overweight view**, as we expect that growing demand for infrastructure and the energy transition will outpace expected supply growth. **We remain Overweight on copper (12m USD 15,000/metric tonne) and aluminium (12m USD 3,800/metric tonne).**

Forex Forecasts

		Spot	3-month		12-month	
		As of 29 May 2026	View	Target	View	Target
Developed	USD Index	98.94	=	100.7	-	96.2
	Japan	159.3	=	158	+	155
	Eurozone	1.166	=	1.14	+	1.20
	UK	1.346	-	1.31	+	1.38
	Australia	0.719	+	0.73	=	0.71
	New Zealand	0.599	=	0.60	=	0.60
	Canada	1.379	=	1.38	+	1.35
Asia Ex-Japan	China	6.764	=	6.80	=	6.80
	South Korea*	1,504	+	1,430	+	1,390
	Taiwan*	31.36	=	31.4	=	31.0
	India	95.00	=	95.0	=	95.0
	Indonesia*	17,874	=	17,400	=	17,400
	Malaysia*	3.965	=	3.90	+	3.75
	Philippines*	61.60	=	60.0	=	60.0
	Singapore*	1.277	=	1.26	+	1.23
	Thailand*	32.54	=	32.5	=	32.5

Source: BNP Paribas (WM) as of 29 May 2026
**BNP Paribas Global Markets forecast as of 29 May 2026*

Note: + Overweight / = Neutral / - Underweight

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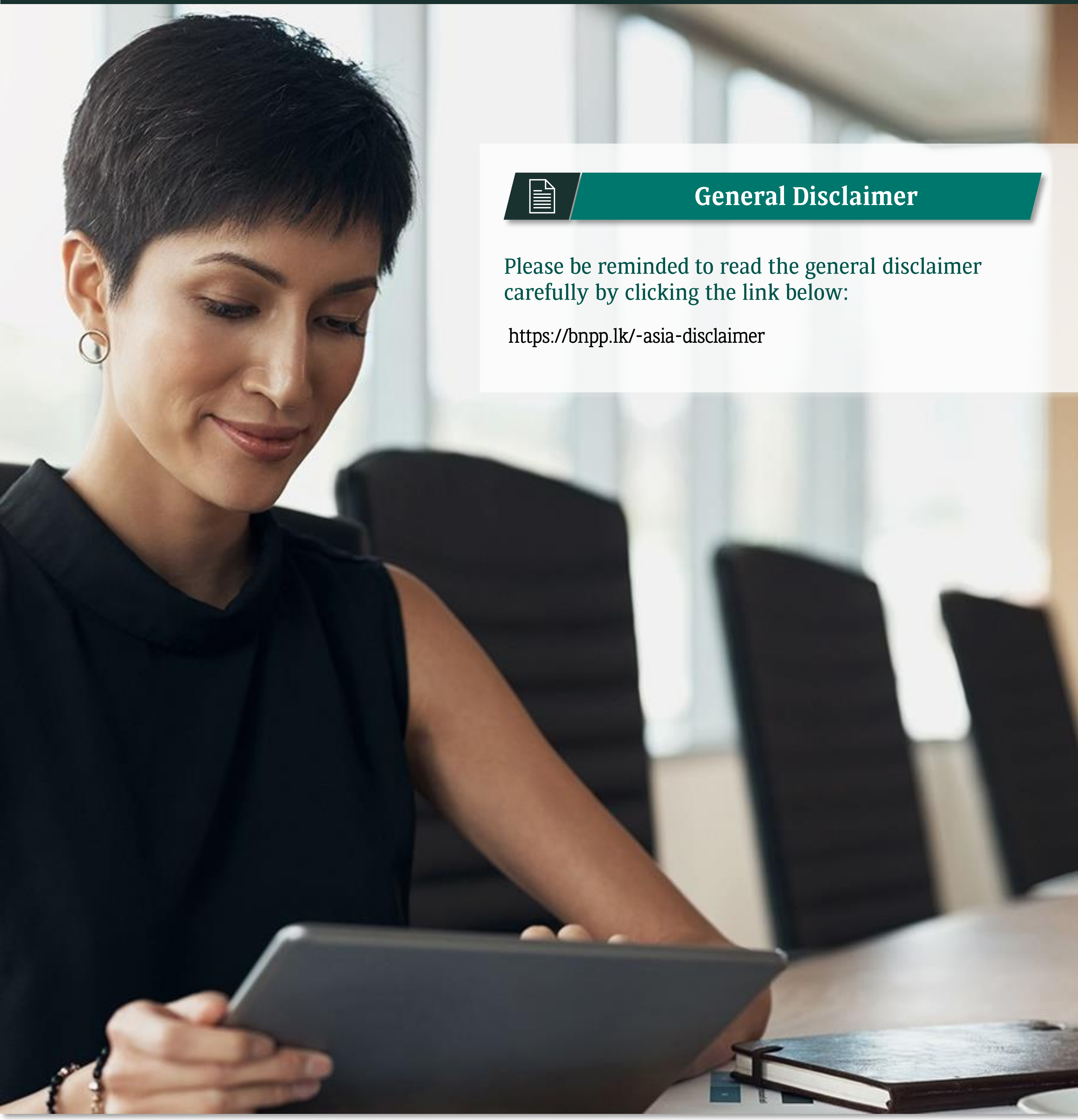

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