

Equity Focus

Strait of Broken Dreams

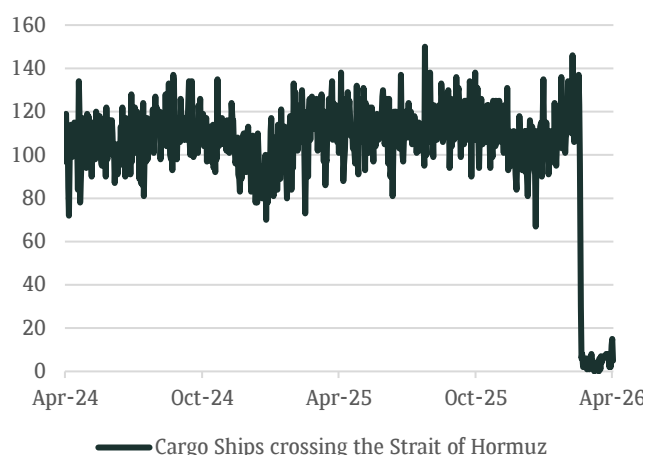
Summary

- 1. Operation Epic Failure** - The Strait of Hormuz remains vastly closed. While the US might have won the war in terms of traditional warfare, they most likely lost it from a geopolitical point of view
- 2. Strait of Broken Dreams**- It is possible that the Strait's flow remains partially limited, causing oil prices to carry a prolonged geopolitical premium. Companies would face a sustained cost increase with diminishing capacity to absorb expenses through profit margins. Economic growth should decelerate but not collapse.
- 3. Reassessing EBITDA in the US**- Despite the headwinds to growth from the conflict in the Middle East, S&P 500 earnings expectations continue to rise. IT sector valuations have corrected meaningfully. We see increasing value in the sector as it should be better isolated from slowing growth due to structural drivers.
- 4. Reassessing EBITDA in Europe**- Consensus earnings estimates for European indices remain steady at the index level, driven by upgrades in the energy sector. We see reasons to worry given disappointing economic data and greater vulnerability of profits compared to the US due to a higher dependence on energy imports.
- 5. Sector update**- Globally, we keep a preference for those market segments supported by fiscal spending such as infrastructure, industrials or metals & mining necessary for renewables and (electronic) defence. Healthcare also has a good potential, especially innovative segments such as biotech, where new M&A activity has been announced.
- 6. Healthcare getting in shape?** -We provide a deep dive into the healthcare sector and discuss investment opportunities.

Contents

Operation Epic Failure	2
Strait of Broken Dreams	3
Reassessing EBITDA in the US	6
Reassessing EBITDA in Europe	8
US and Europe Q1 Sector Performances and Our Preferences	10
2026 Diagnosis: Which Health Care Actors Are in Top Form?	11
European and US Sectors in a nutshell	13
Valuations	14
Key Convictions, Eco & FX tables, Team	15
Disclaimer	16

CHART 1: THE STRAIT OF HORMUZ REMAINS EFFECTIVELY CLOSED



Source: BNP Paribas, Bloomberg, as per 13th March 2026

Stephan Kemper

Chief Investment Strategist
BNP Paribas Wealth Management-
Private Banking Germany



Alain Gérard, MSc, MBA

Senior Investment Advisor, equities
BNP Paribas Wealth Management



Operation Epic Failure

“Never interrupt your enemy when he is making a mistake.” (Napoleon Bonaparte)

Since the US / Israel attacks on Iran started 5 weeks ago, US President D. Trump has already indicated victory several times. However, it seems still to be unclear to what extent the goals of “Operation Epic Fury” have been met. “We have won in many ways,” Trump [said](#) during a speech to Republican allies. “But we haven’t won enough.” The definition of “enough” seems to be anyone’s guess. Contrary to Mr. Trump’s claims that “they [Iran] have no anti-aircraft protection...they’re not putting up a fight. They’re not even shooting at us”, Iran’s military capabilities don’t seem to be degraded to the scale Mr. Trump is claiming. This is obvious from the recent [downing](#) of two US fighter jets and the destruction of an E-3 Sentry radar plane at an Air Force base.

A key priority remains the reopening of the Strait of Hormuz, which is still largely closed (Chart 1). Ahead of the recently failed cease fire talks, Iran had listed several demands to settle hostilities. The proposal includes a) ending regional conflicts, b) establishing safe passage through the Strait of Hormuz, c) rebuilding war-affected areas, and d) lifting international sanctions. Most importantly, the plan also included a guarantee that Iran would not be attacked again. We think the regime feels emboldened by the recent events.

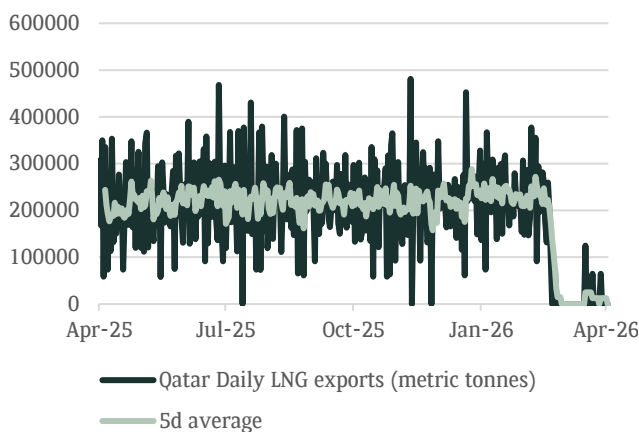
It is still in power, able to fight back and inflict serious pain in the region. Recent social media posts from Mr. Trump reminded me more of parents who count to 2 7/8 in an argument with their kids because they have no idea what follows on 3, than of a professional political leader following a detailed plan.

While the path towards peace remains unclear, we don’t think it is too early to assess the geopolitical fallouts. Firstly, while Iranian military capacities are severely degraded, the regime in Teheran is still in place and Iran has a good chance of emerging as the power controlling the Strait of Hormuz once the conflict concludes. They might even be able to benefit from the war if a toll system were to be implemented, as a sort of financing for reconstruction. Such an outcome would enable Teheran to increase financing of its proxies which would likely extend hostilities with Israel. Moreover, should Teheran decide to charge the toll in anything but the dollar, the greenback would be structurally weakened.

China looks to be the main beneficiary from Trump’s actions as it can present itself to (neighbouring) countries as a stable, sensible and reliable partner. The fact that China even [exported](#) some refined products to certain Asian countries shows that Beijing seems to be actively playing that card. This could make it harder for the US to push back on growing Chinese influence in Asia and elsewhere. The current conflict also allows China to gain a lot of intelligence about how the US are fighting a modern war: what weapons and tactics are used, how quickly stockpiles of armaments are depleted, where weak spots exist, and what the reactions to certain threats are. There are countless possibilities for Chinese intelligence agencies to learn and to collect data.

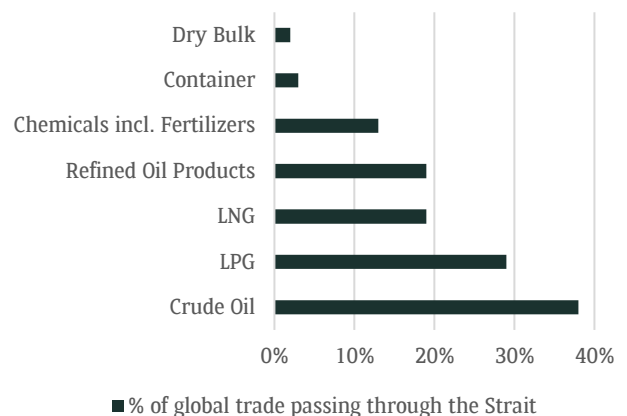
Finally, the further weakening of NATO, whose function is now openly [questioned by the US](#), is likely to be welcomed not only in Beijing but also in Moscow.

CHART 2: LNG EXPORTS FROM QATAR ARE STILL DISRUPTED



Source: BNP Paribas, Bloomberg

CHART 3: THE STRAIT OF HORMUZ IS A KEY ENERGY BOTTLENECK



Source: BNP Paribas, UNCTAD.org

Strait of Broken Dreams

“The world has never experienced a disruption to energy supplies of such magnitude.... The current crisis is more serious than those of 1973, 1979, and 2022 combined.” (Fatih Birol, Director of the IEA)

If and under which conditions the Strait of Hormuz (SoH) will be reopened is yet to be seen. But even if it would return to normal now, the impact on the global economy would not go unnoticed. We have passed the point where we only have to worry about whether the Strait reopens. We have now reached the point of long(er) term disruptions and shortages. The question is not if global growth will take a hit but how big the impact will be.

The air pocket in the global energy artery

The vast majority of energy exports out of the (SoH) are destined for countries in Asia and the last ships left for their destinations in early March. Depending on travel speed and destination (Table 1), those cargoes should have arrived already. Hence, over the last few days, there are no incoming energy shipments and there will be little to none until 3-4 weeks after the SoH reopened. This assumes that it takes at least a week until normal traffic is restored. Adding to the stress, the cargoes need to be unloaded and distributed to the refineries which itself will need to be restarted. Thus, the supply shortages which are forcing countries in Asia and Africa to [restrict](#) energy usage are unlikely to ease immediately. One way to measure the degree of stress in the physical oil market is the spread between oil spot and futures prices, which is by far exceeding the levels seen after the Russian invasion of Ukraine. (Chart 4).

Moreover, a lot of other critical goods are usually shipped through the SoH such as helium and fertilizer. While the former is needed to build semiconductors, the latter is a critical input to [secure global food supply](#). On those

topics, as for energy, the impact becomes more dire the longer the free flows of goods are impaired. Not because of a single shock but because of the growing risk that higher prices persist.

The focus may shift from inflation to growth

Historical conflicts in the region, such as the Iran-Iraq war in the 1980s, demonstrate that hostilities can persist without completely blocking the Strait. A major consideration is the potential withdrawal, which, even if agreed upon, might be perceived as the US conceding defeat despite tactical victories.

In this situation, it is possible that the Strait's flow remains partially limited, causing oil prices to carry a prolonged geopolitical premium. While energy price inflation might decline once prices stabilize, secondary effects are expected to be more enduring than past experiences suggest. During previous oil shocks, prices not only plateaued but also dropped relatively quickly, limiting the duration of cost pass-through. However, if prices remain elevated for an extended period, companies would face a sustained cost increase with diminishing capacity to absorb expenses through profit margins. Economic growth would likely decelerate but not collapse, differing from a typical “demand destruction” scenario that triggers deep recessions. Persistently high energy costs function as a tax on consumption and profitability, impacting economic activity in both developed and emerging markets. While spending on energy goods and services in the US is close to historical lows (Chart 5), we think it is still important.

TABLE 1: SHIPPING TIME FROM THE STRAIT OF HORMUZ TO MAJOR GLOBAL PORTS AT 13 KNOTS TRAVEL SPEED (EXCLUDING CONGESTION / DISCHARGING TIMES)

Vessel Type	Destination	Route	Distance (nm)	Avg Days
VLCC (Tanker)	Singapore	Malacca Strait	3450	11
VLCC (Tanker)	Kaohsiung (Taiwan)	Malacca Strait	4800	15
VLCC (Tanker)	Ulsan (South Korea)	Malacca Strait	6100	20
VLCC (Tanker)	Shanghai (China)	Malacca Strait	5150	17
VLCC (Tanker)	Tokyo (Japan)	Malacca Strait	6600	21
VLCC (Tanker)	Rotterdam (NL)	Cape Route (2026 Actual)	11400	37
Suezmax (Tanker)	Rotterdam (NL)	Suez Canal (Baseline)	6400	21

Source: BNP Paribas, [seadistances.org](https://www.bnpparibas.com/seadistances.org)



A USD1 per-gallon rise in gasoline prices is roughly equivalent to a USD100bn annualized decrease in spending power. As of 13 April, gasoline prices were up USD1.30 from pre-conflict levels (Chart 6), or worth about USD130bn if annualized. That magnitude more than offsets the tailwind from higher tax refunds from the 2025 tax bill (~ USD90bn). The higher burden at the pump is already taking its toll on consumer sentiment (Chart 7). Even though the resulting slowdown may take time to develop, its impact would be substantial.

This presents a scenario the market seems to be broadly ignoring giving most indices still trade within a whisker to their 52-weeks highs. We thus think that the risk reward is still asymmetrically skewed to the downside as much more could go wrong than well.

Are markets expecting the best case?

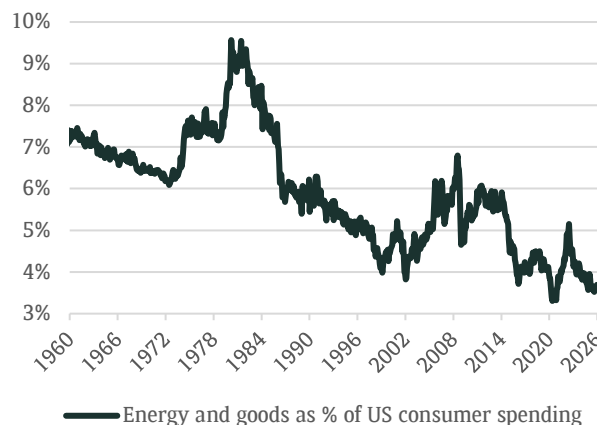
Equity markets have been quick to recover a fair amount of their losses once the first news of a potential deescalation was hitting the tapes (Chart 8). Also from a sentiment perspective, equities seems to have had their period of caution but have been far away from capitulation. The AAI net bulls survey of the US retail investor briefly fell to -20%, vs prior major lows around -40%, but already recovered since (Chart 9). Equity allocations from retail and institutional investors retreated only slightly, remaining above long term averages (Chart 10).

While those data suggests that there would be no (more) reason to worry, the signals are at odds with some other observations. A geopolitical risk basket of US stocks (e.g. defense contractors, oil producers and tankers) remains close to its all time high and has given up only a fraction of the recent outperformance against the S&P 500 (Chart 11). An ETF tracking the price of oil tanker futures also remains close to record highs. Moreover, credit spreads in

Europe widened substantially while the weakness in equities have been more moderate than the move in high yield credit is suggesting (Chart 12).

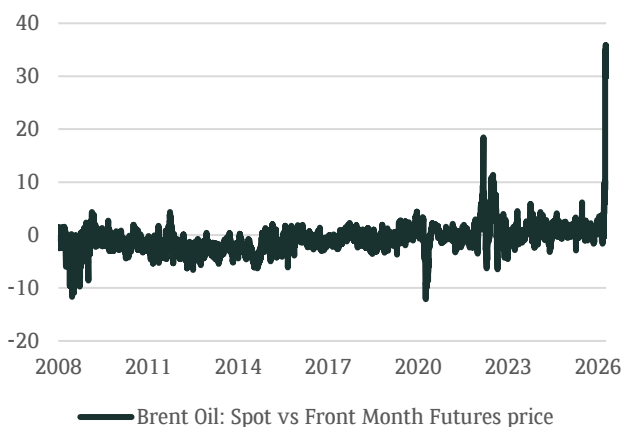
Fitting into the “this will be fine” market narrative is the stable to slightly equity risk premia which we can observe in many markets. The main driver behind this move is the upward drift in long term yields to levels that caused our Fixed income team to upgrade core European government bonds to overweight. From an asset allocation point of view this backdrop confirms our current neutral stance on global equities.

CHART 5: ENERGY AS % OF CONSUMER SPENDING DECLINED OVER TIME



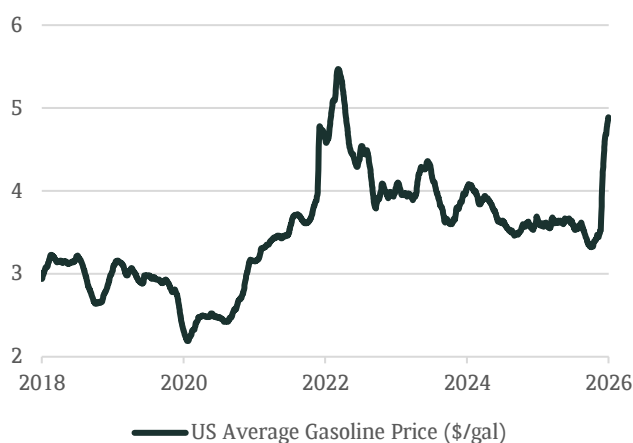
Source: BNP Paribas, fred.stlouisfed.org

CHART 4: PHYSICAL SCARCITY IN THE OIL MARKET



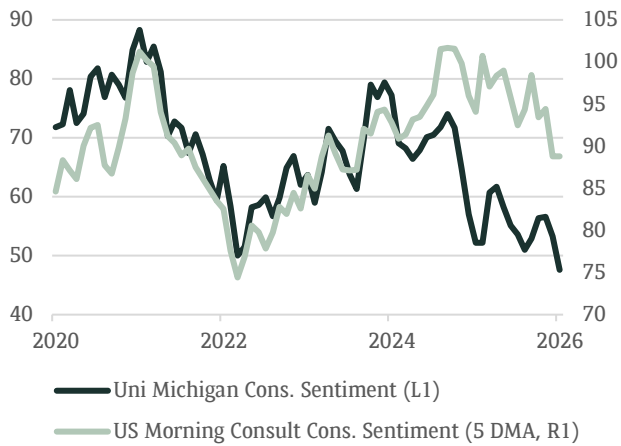
Source: BNP Paribas, Bloomberg

CHART 6: US GASOLINE PRICES RALLIED SINCE THE WAR STARTED



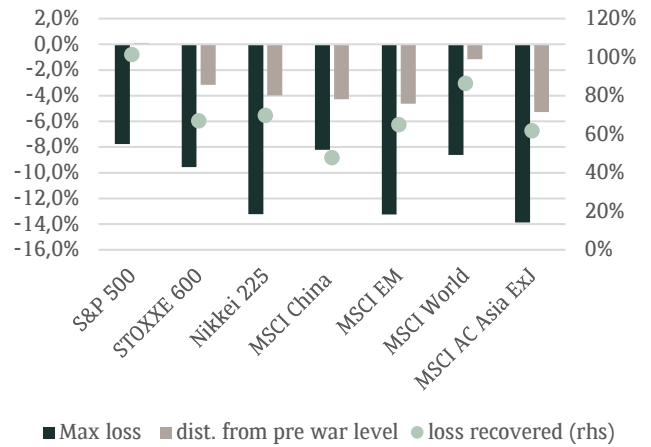
Source: BNP Paribas, Bloomberg

CHART 7: CONSUMER SENTIMENT IS ALREADY FALLING



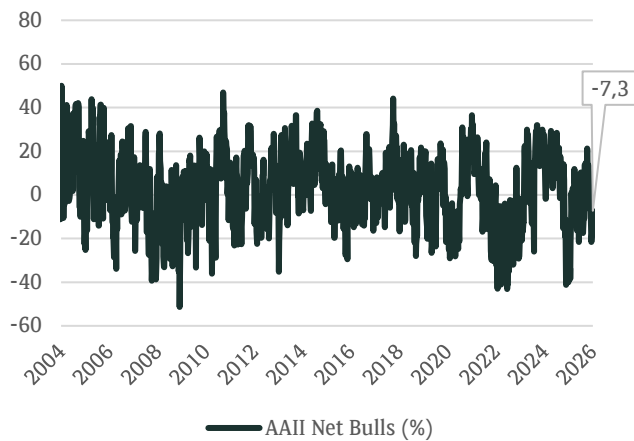
Source: BNP Paribas, Bloomberg

CHART 8: STOCKS HAVE RECOVERED MOST OF THEIR LOSSES



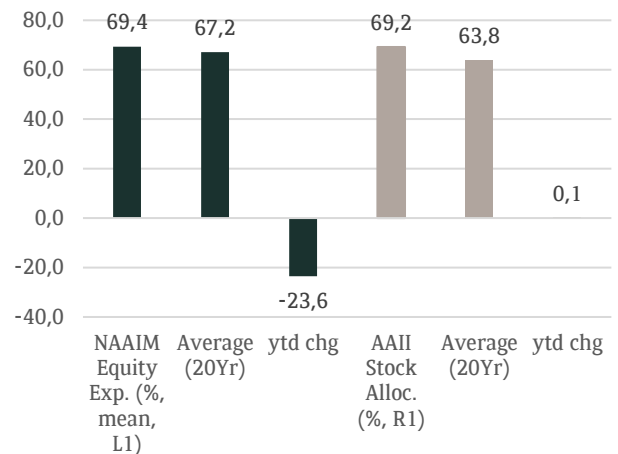
Source: BNP Paribas, Bloomberg

CHART 9: SENTIMENT FARED BETTER THAN DURING PAST STRESS EVENTS



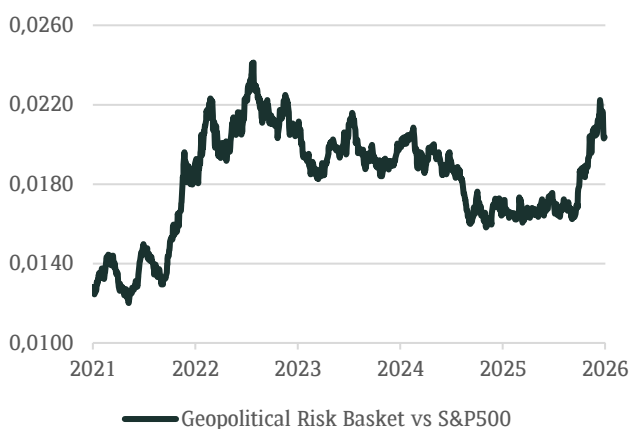
Source: BNP Paribas, Bloomberg

CHART 10: EQUITY EXPOSURE REMAINS ABOVE LONG TERM AVERAGES



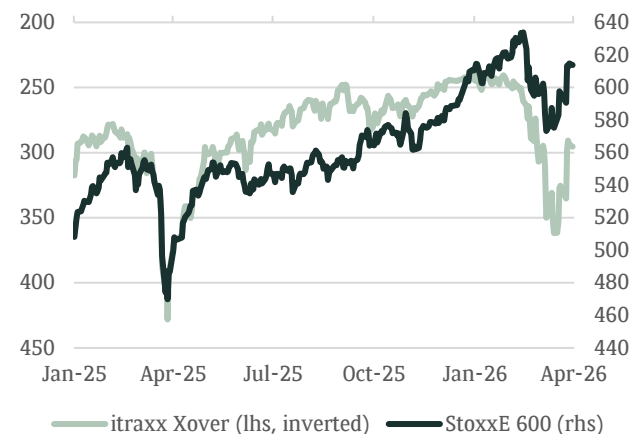
Source: BNP Paribas, Bloomberg

CHART 11: STOCKS TIED TO GEOPOLITICAL RISKS ARE HOLDING UP WELL



Source: BNP Paribas Bloomberg

CHART 12: EU EQUITIES TRADE FIRMER THAN HY SPREADS ARE SUGGESTING



Source: BNP Paribas Bloomberg

Reassessing EBITDA in the USA

Earnings Before Iran-War, Tariffs and Donald's Announcements

Despite the headwinds to growth from the conflict in the middle east, earnings expectations for the S&P 500 kept rising (Chart 13) as the market is expecting the 6th consecutive quarter of double digit year-on-year earnings growth (Chart 14). This can in parts be explained by the record level of buyback authorizations we saw this year (Chart 15). But this is only a part of the story. Looking at previous episodes of oil supply shocks, we find it is not a total unusual pattern to see earnings increasing (Chart 16). While , in the 1970s, the effect was presumably mainly driven by the positive correlation of energy prices and EPS growth of energy stocks, we have a different factor at play today. The weight of energy stocks decreased from 15% to less than 4% while the IT sector commands 32% of the index today.

Within IT, AI remains the main driver of growth. US-Hyperscaler AI capex expectations keep climbing higher (Chart 17). The ongoing optimism is fueled by positive statements from AI heavyweights such as Anthropic, which recently [stated](#) its run-rate revenue would have surpassed USD30 bn. This comes on the back of increasing uptake from companies, especially smaller ones (Chart 18). Against this constructive backdrop, valuations of the IT sector have corrected meaningfully. While NTM P/E Levels surpassed 32 by the end of last year, this metric now trades around 22, which is a notch below the 10-year average and roughly at the levels we last saw when the AI boom began in late 2022 (Chart 19). Given this rerating and the structural growth opportunity the IT sector represents, we see increasing value in the sector. It should be better isolated from

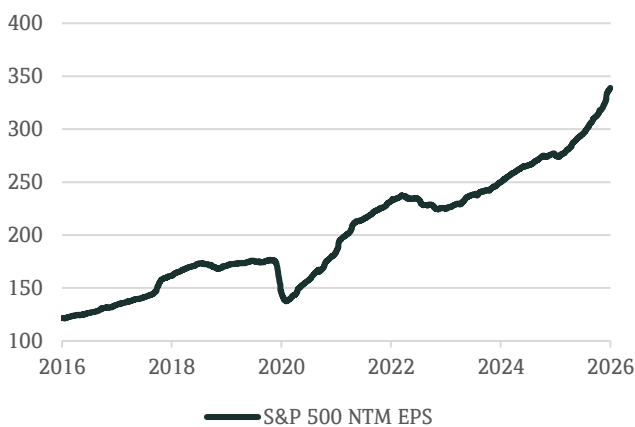
higher energy costs than more cyclical markets such as Europe. We remain neutral due to the overall risks.

The Return of the AI "Software-Killer" Narrative

As AI agents become more powerful, disruption fears returned to investors minds due to the rollout of Anthropic's "Claude Managed Agents" alongside a new AI model from Meta ("Nuse Spark"). Understandably, investors try to anticipate (and avoid) the AI era's version of Kodak, IBM, Nokia, Blackberry and a host of other companies that saw their business models collapse under the weight of new waves of innovation. This culminated in a fresh round of indiscriminate selling of software names, while hardware names continued to rally. The opposing trajectories of these two sectors have pushed the ratio of global software to semiconductor stocks to a new record low (Chart 20).

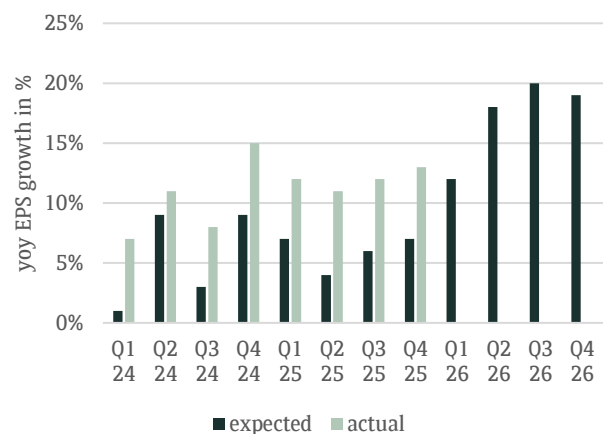
However, looking beneath the surface, the current market reaction appears overly indiscriminate. There is little doubt that AI will fundamentally reshape the software landscape, and the disruption risk for companies relying on narrow, single-use cases is highly tangible. Conversely, multi-purpose software vendors boasting deep integration into their clients' complex IT infrastructures are well-shielded. Those possessing credible, in-house AI strategies are positioned not just to survive, but to actively capture new value from this paradigm shift. Ultimately, the narrative of AI uniformly dismantling the software sector is too simplistic. Selectivity remains paramount, and the current sector weakness is likely creating fertile hunting grounds for patient, long-term capital.

CHART 13: S&P 500 EPS EXPECTATIONS KEEP GOING UP



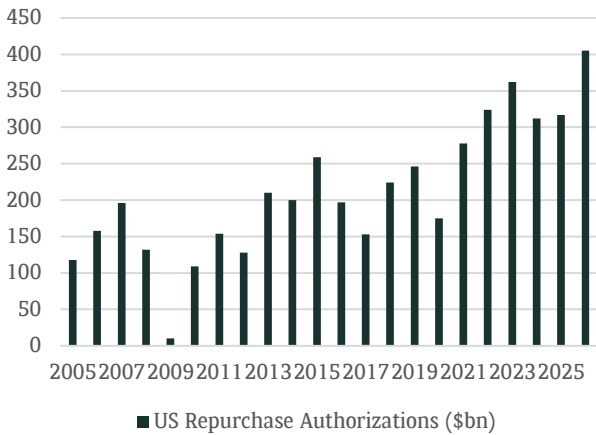
Source: BNP Paribas, Bloomberg

CHART 14: THE SIXTH CONSECUTIVE DOUBLE DIGIT GROWTH QUARTER?



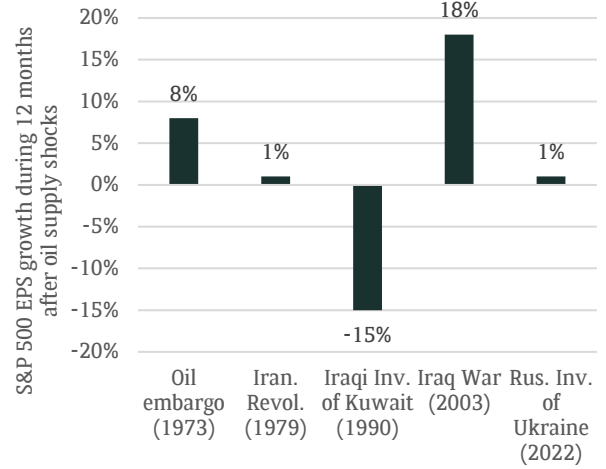
Source: BNP Paribas, Bloomberg

CHART 15: STOCK BUYBACKS IN THE US AT A NEW RECORD



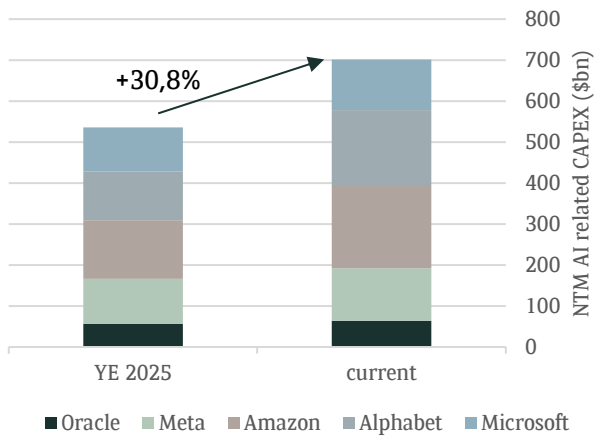
Source: BNP Paribas, Goldman Sachs

CHART 16: S&P 500 EPS CAN GROW DESPITE OIL SHOCKS



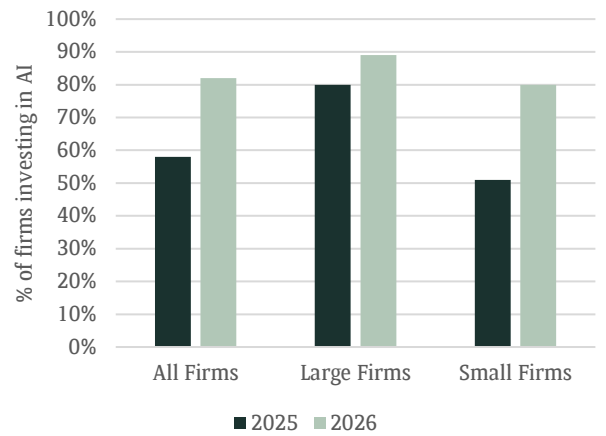
Source: BNP Paribas, Bloomberg

CHART 17: AI CAPEX IS EXPECTED TO GROW FURTHER



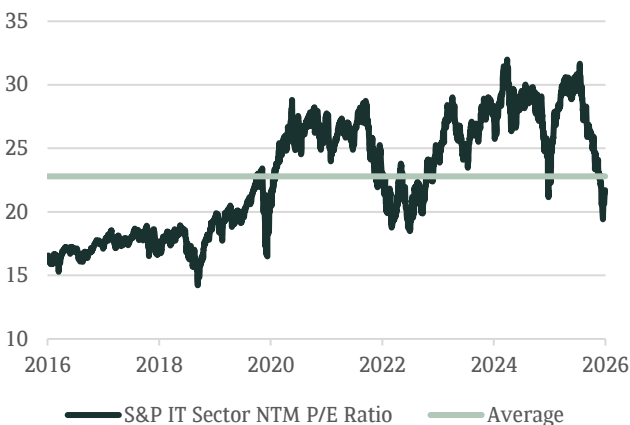
Source: BNP Paribas, Bloomberg

CHART 18: AN INCREASING NUMBER OF FIRMS IS INVESTING IN AI



Source: BNP Paribas, Richemont FEDg

CHART 19: IT VALUATIONS ARE LOOKING TO BE ATTRACTIVE



Source: BNP Paribas, Bloomberg

CHART 20: SOFTWARE KEEPS UNDERPERFORMING HARDWARE



Source: BNP Paribas, Bloomberg

Reassessing EBITDA in Europe

Earnings Before Iran-War, Tariffs and Donald’s Announcements

Similar to the US, consensus earnings estimates for European indices remain steady at the index level. Supported by upgrades in the Energy sector and favorable currency movements, 12-month forward earnings estimates for the Stoxx Europe 600 have reached record highs (Chart 21). Much of this strength is driven by the Energy sector, where relative EPS revisions are currently among the highest in Europe (Chart 22). This highlights that the stock market does not always reflect the broader economy, which is more heavily influenced by industries that tend to be negatively affected by rising energy prices.

This raises the question of when economic weakening becomes significant enough to impact the stock market. Although the headline risk to European earnings is currently balanced by energy and FX factors, the valuation multiples of European indices—and thus the market’s direction—will largely depend on the outlook for earnings excluding the Energy sector. We see reasons to worry given disappointing economic data (Chart 23) and greater vulnerability of profits compared to the US due to a higher dependence on energy imports.

With no clear resolution to the conflict in the Middle East, it is notable that the starting point for the Stoxx Europe 600 multiple is close to levels seen during previous oil shocks in 2022 and 1973, both of which led to notable market corrections (Table 2).

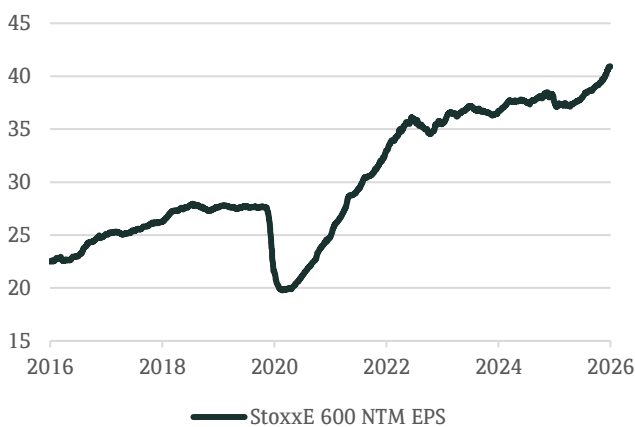
Moreover, relative valuations are no particular cushion either. The S&P 500’s P/E ratio trades in line with its five-year average, whereas the StoxxE 600’s is above. Thus, the valuation discount of the broader European market is

the narrowest in almost 3 years (Charts 24 & 25), making European stocks less appealing relative to the US market. Even more so as earnings in the US are expected to grow by 16,8% versus 10,6% for Europe this year (vs ’25). Year-to-date, European stocks already underperformed their US peers and there are reasons to doubt this will change any time soon. If Middle East tensions ease, the investor focus will return to Europe’s weak macro environment, even more so if energy prices remain elevated.

The DAX, with heavy exposure to cyclical sectors, is particularly sensitive to energy prices and global conditions. Industrial production declined unexpectedly in February and the outlook from the recent Ifo-survey indicated further weakness ahead. The latter even dropped the most since the GFC in 2008 (outside Covid, Chart 26). As rising energy costs and supply chain disruptions will likely affect growth in Germany, the risk of earnings downgrades is going up.

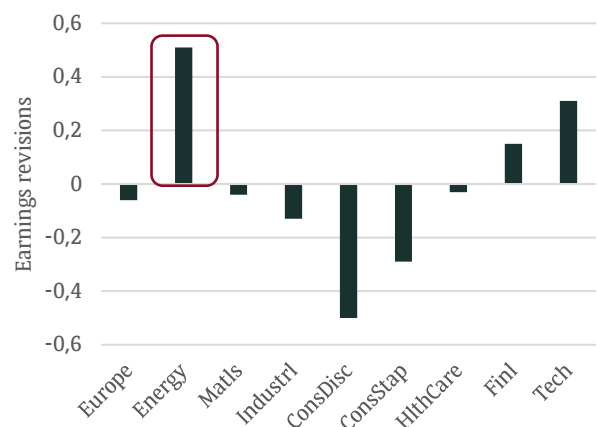
Although war impacts have been minimal in corporate commentary so far, they are expected to feature prominently in first-quarter reports. Despite the DAX earning most revenue outside Germany, investors are concerned about Germany’s weak(ening) economy and could use the DAX as a proxy to trade that view. This would suggest continued underperformance for German stocks amid broader euro area struggles. We remain underweight European equities.

CHART 21: EUROPE’S EPS EXPECTATIONS KEEP GOING UP



Source: BNP Paribas, Bloomberg

CHART 22: ENERGY AND IT STILL HAVE NOTABLE POSITIVE EARNINGS MOMENTUM



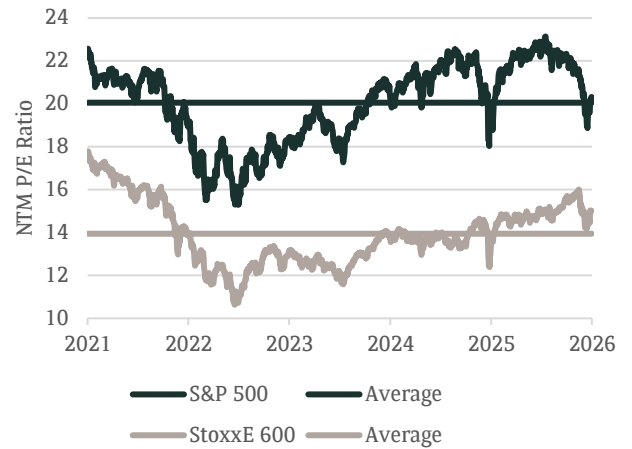
Source: BNP Paribas, Bloomberg

CHART 23: ECONOMIC SURPRISES IN EUROPE ARE DEEPLY NEGATIVE



Source: BNP Paribas, Bloomberg

CHART 24: EUROPE LOOKS MORE EXPENSIVE VS ITS RECENT HISTORY THAN THE US



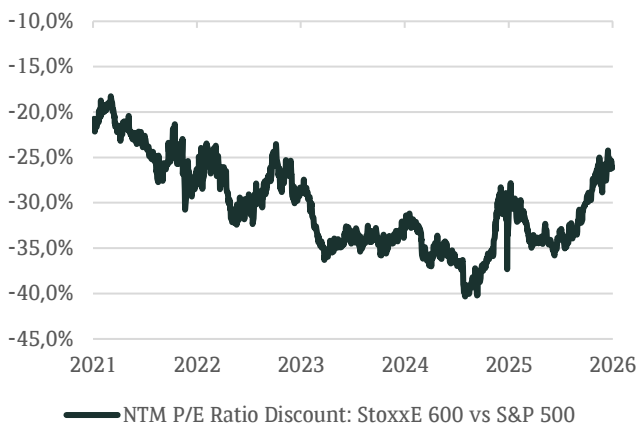
Source: BNP Paribas, Bloomberg

TABLE 2: PREVIOUS GEOPOLITICAL ESCALATIONS WITH MATERIAL ENERGY PRICE IMPLICATIONS

Event	Start of Market Focus on Geopolitical Risks to Market Trough							Peak Energy to Market Trough				
	Duration (weeks)	MSCI Europe	Cyc/Def	Start NTM P/E	Trough NTM P/E	De-rating (%)	NTM EPS Change (%)	Duration (weeks)	MSCI Europe	Cyc/Def	De-rating	NTM EPS Change
Russia/Ukraine	45	-15,4%	-16,5%	14,8	10,6	-28,3%	17,9%	7	-8,2%	-1,0%	-9,7%	1,6%
Iraq War	18	-20,6%	-4,8%	12,4	9,9	-19,9%	-0,9%	1	-5,7%	0,7%	-5,7%	0,0%
Gulf War	8	-20,7%	-11,2%	10,4	10,2	-2,4%	-18,7%	0	-1,7%	0,0%	-1,7%	0,0%
Iranian Revolution	50	-2,7%	-3,5%	8,5	7,4	-12,2%	20,4%	5	-3,3%	-0,5%	1,4%	-2,2%
1973 Oil Embargo	64	-40,0%	-17,7%	14,8	7,5	-49,3%	25,8%	48	-35,1%	-11,7%	-40,0%	21,2%
Current escalation*	6	-3,2%	-7,6%	16	14,4	-10%	1,0%					
Dot-com	131	-58,4%	-34,8%	22,7	9,9	-56,5%	-4,4%					
GFC	92	-56,6%	-33,9%	13,7	7,9	-42,3%	-24,8%	36	-41,8%	-24,3%	-18,3%	-28,7%
COVID-19	4	-33,7%	-19,9%	15,2	10,3	-31,9%	-2,6%					

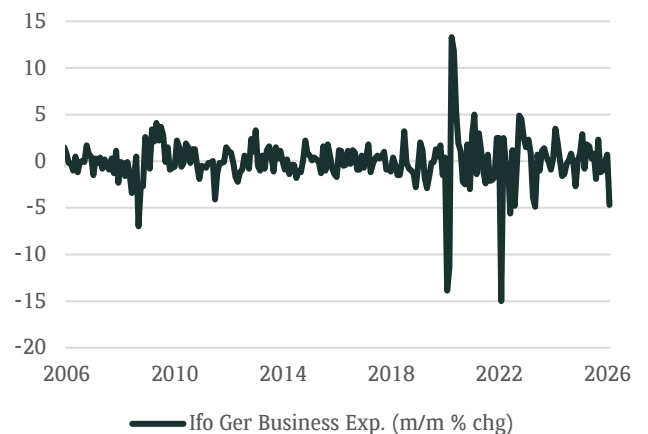
Source: BNP Paribas, Morgan Stanley, Bloomberg

CHART 25: IT VALUATIONS ARE LOOKING TO BE ATTRACTIVE



Source: BNP Paribas, Bloomberg

CHART 26: GERMAN BUSINESS EXPECTATIONS ARE FALLING



Source: BNP Paribas, Bloomberg

US and Europe Q1 Sector Performances and Our Preferences

Pending a resolution

Iran war, Hormuz strait blockade (or not anymore?) and their consequences on the oil market and on the global economy have been driving financial markets. Investors were nonetheless reluctant to significantly reduce risky positions as a resolution, or at least some sort of agreement to allow boats to pass through the Strait could bring a strong rebound in equity markets (A sharp rebound indeed took place on the 8th of April). Also, earnings growth expectations remain supportive (probably too optimistic), and it is well known that the US administration will do whatever it can to support its domestic economy before the mid-term elections.

In this context, March proved challenging for most sectors, with Energy as the sole gainer over the month, up +10% in the US whereas The S&P 500 retreated -5,1% (and -4,6% YTD). Some sectors that struggled the previous months outperformed in March, such as Financials or Info tech (both -4% 'only'). Conversely, US Materials (-7%), Staples (-8%) and Industrials (-8,5%) rank among the worst performers over the month, reversing part of their strong start to the year. Healthcare and Communication services underperformed, down -8.3% and -7,3% respectively.

In Q1-26, Energy is obviously the big winner. Materials, Utilities and Staples (the retailing sub-sector) are leading performances. At the bottom, Financials and Tech-related sectors are deep in the red. Be cautious with US Financials considering stagflation and private credits related risks.

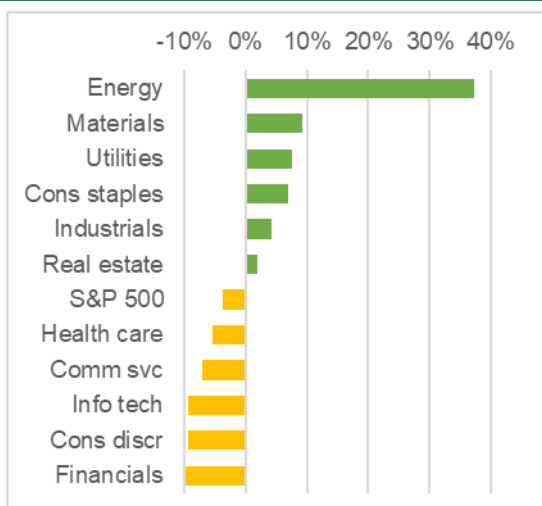
European equities also in the red

European equities have been victim of the Iran war as the region is a big importer of oil and gas as well as of some other key commodities for which the Gulf countries are important producers (i.e. fertilizers or aluminum). The Stoxx600 dropped 8% in March and the enlarged European index has recorded -1,5% over Q1-26. The core Euro equities index, the EuroStoxx50, is underperforming as it is down -3,8% in Q1-26.

In Europe, except energy, all sectors ended March in the red. Defensive sectors were relatively resilient, particularly infrastructure-related sectors such as telecoms (-3,6%) and utilities (-3,3%). Chemicals also outperformed (-2,8%), as global trade disruptions created opportunities for certain European players. Conversely, the worst-performing sectors were consumer discretionary and real estate (-14,5%), due to escalating stagflation concerns. Weak results from Germany's Vonovia, while debatable, further weighed on sentiment. Against this volatile backdrop, we had suggested caution with European equities. We also downgraded European Financials from overweight to neutral in early March, reflecting heightened uncertainty in the sector.

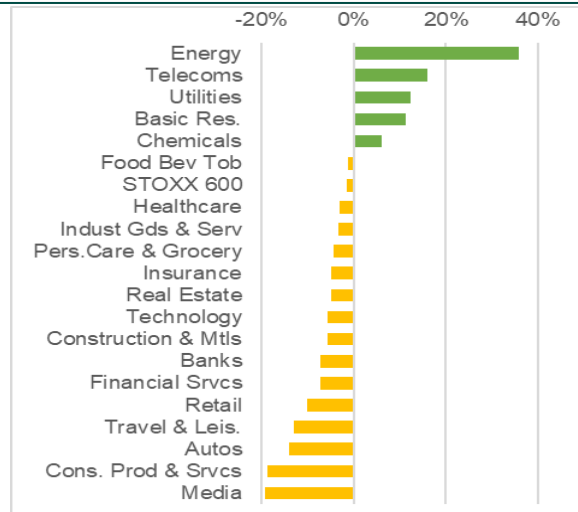
Globally, we keep a preference for those market segments supported by fiscal spending such as infrastructure, industrials or metals & mining necessary for renewables and (electronic) defence. Healthcare also has a good potential, especially innovative segments such as biotech, where new M&As have been announced.

CHART 27 : Q1-26 US SECTOR PERFORMANCE: ENERGY, MATERIALS AND INFRASTRUCTURE-RELATED SECTORS LEAD; FINANCIALS, TECH-RELATED AND HEALTH CARE ARE IN THE RED.



Source: S&P 500, 2026 performances as at 31st of March 2026.

CHART 28: Q1-26 EU SECTOR PERFORMANCE: ENERGY AND INFRASTRUCTURE-RELATED LEAD; DISRUPTED SECTORS, EXPORTERS AND FINANCIALS POST LOSSES.



Source: Stoxx600, 2026 performances as at 31st of March 2026.



2026 Diagnosis: Which Health Care Actors Are in Top Form?

Amid uncertainty, investors typically favor defensive, high-visibility sectors like Health Care ('HC'). Yet the sector delivered mixed performance in Q1 2026. Here is an analysis of the underlying reasons and the most promising segments.

A Resilient but Pressured Sector

Over the past 15 years, the MSCI World Health Care Index has delivered a 441.63% gain, outperforming the broader MSCI World Index (415.18%). However, the HC sector has underperformed in recent years, particularly in the U.S., due to several key factors:

Rise of AI: Tech stocks linked to artificial intelligence have diverted investment flows.

Regulatory pressure & U.S. cost-cutting: Efforts to reduce public healthcare spending have limited reimbursements and subsidies.

Profitability demands: Short-term profitability requirements have curbed R&D investment, weighing on growth.

Intensifying competition: China's growing dominance in certain segments has heightened competitive pressures. Established franchises are also under growing pressure from generic competitors.

Innovation as the Growth Engine

Despite these headwinds and rising competition, globally, the healthcare sector maintains strong growth momentum. Between 2007 and 2027, its average annual profit growth is projected at +7.4%, slightly outpacing the +7.2% average annual earnings growth rate of the MSCI World equity index.

The United States remain a HC leader, driven by powerful demographic and epidemiological trends. An aging population, a steady increase in cancer diagnoses, and the escalating prevalence of chronic conditions—such as obesity and cardiovascular diseases—continue to underpin demand. These structural factors create a favorable long-term outlook, reinforcing the sector's resilience even amid regulatory and competitive pressures.

Significant progress continues to be made in these fields, with artificial intelligence expected to revolutionize disease detection and treatment. This technological shift is creating opportunities for nimble, innovative companies—particularly in the biopharmaceutical sector—to gain a competitive edge.

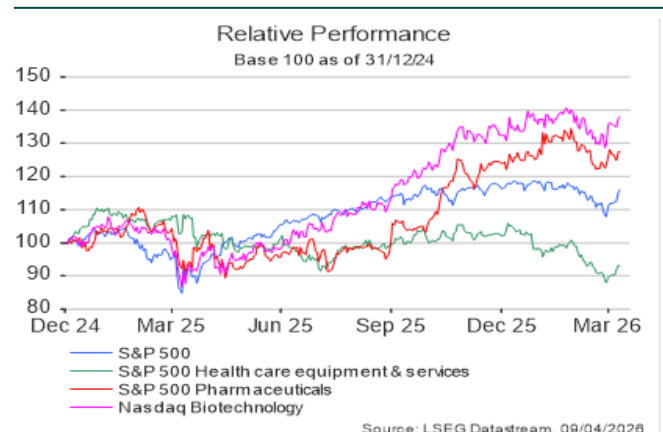
The most promising companies are benefiting from accelerated development timelines, making them increasingly attractive to investors. Many are securing substantial funding, while others are even becoming strategic acquisition targets as larger players seek to integrate their breakthrough technologies. This trend underscores the sector's evolving landscape, where agility and innovation are key differentiators in an increasingly competitive market.

Despite the healthcare sector's overall underperformance in 2025 and Q1 2026, the biotechnology segment has delivered outstanding results, significantly outperforming broader markets. The Nasdaq Biotechnology Index surged 36.3% over 15 months (since January 1, 2025), compared to just +12.7% for the S&P 500. Some active and specialized Biotechnology funds have gained even more. These figures highlight the distinct growth potential of the most innovative players in the sector.

Which Healthcare Players Are Struggling in the Current Environment?

Medical technology & services companies (MedTech) have been facing challenging conditions. On one hand, U.S. reimbursement rates are declining due to healthcare cost-control policies, while on the other, expenses are rising—driven by higher costs, excess inventory, and rising competition from China. Once a high-growth, high-margin industry, MedTech has seen stock valuations plummet since mid-2025, as investors shy away from what they perceived as overinflated P/E ratios in an uncertain economic climate. This industry has also been weighed down by the broader stagnation and correction in technology-related stocks during Q4 2025 and Q1 2026.

CHART 29 : US PHARMA AND BIOTECH ARE PERFORMING VERY WELL WHEREAS HC EQUIPMENT AND SERVICES ARE STRUGGLING



How Is Europe Faring?

Since early 2025, Europe has been impacted by U.S. trade barriers targeting its healthcare sector. Just days ago, the U.S. imposed 100% tariffs on patented and branded pharmaceutical products and their ingredients under Section 232 of the Trade Expansion Act of 1962, citing national security concerns and the need to strengthen U.S. supply chains and public health. The tariffs target drugs manufactured outside the US that do not have the “most favoured nations” (MFN) pricing agreement with the US government. The policy aims to “encourage pharmaceutical companies to build or expand manufacturing facilities in the United States” (source: White House). Fortunately, most major European firms already have a strong U.S. presence or are expanding there, including most of our key stock recommendations in pharmaceuticals. These new tariffs are unlikely to materially impact leading European players.

However, intense competition in the obesity drug market has dragged down some key players and weighed on the broader European healthcare sector’s performance. In MedTech, European companies, also facing various challenges, have been mirroring U.S. trends. Additionally, the weakness of the U.S. dollar against the euro and even more against the Swiss franc is eroding the reported profits of European companies when converted back into their home currency.

Conclusion

The key risks that had weighed on the sector—particularly U.S. reimbursement restrictions and trade tensions—are now largely priced in. Greater clarity on the regulatory and economic landscape has significantly reduced uncertainty.

While earnings growth in 2026 is expected to reach 4% for European HC and 6.4% for the U.S. sector, analysts anticipate a strong acceleration in 2027 and 2028, with profits growth reaching 10% in Europe and even more in the U.S. If these forecasts hold, they could rekindle investor interest in the sector. That said, selectivity remains crucial in navigating this evolving market.

TABLES 3 & 4: HEALTH CARE IS CHEAP COMPARED WITH THE REST OF THE MARKET AND CONSIDERING THE EXPECTED EARNINGS GROWTH ACCELERATION IN 2027 AND 2028

26-03-26	PE				EPS Growth - %			
	2026	2027	2028	12m fwd	2026	2027	2028	12m fwd
MSCI USA	21,5	18,2	16,1	20,3	17,9	17,8	13,4	17,6
MSCI USA ENERGY	20,9	18,1	15,5	20,2	2,4	15,4	15,7	5,7
MSCI USA MATERIALS	19,0	16,8	15,4	18,4	25,7	13,5	8,9	22,0
MSCI USA INDUSTRIALS	26,8	22,9	20,1	25,6	13,1	16,7	14,6	14,2
MSCI USA CONS DISCR	27,3	23,1	19,4	26,1	10,2	17,9	18,9	12,3
MSCI USA CONS STAPLES	22,9	21,1	19,6	22,3	6,6	8,3	8,0	7,4
MSCI USA FD/STAPLES RTL	34,2	31,0	28,1	33,2	9,7	10,3	10,4	9,9
MSCI USA FD/BEV/TOB	18,1	16,7	15,6	17,7	6,7	8,0	7,4	7,0
MSCI USA H/H PERS PRD	20,4	19,2	18,1	19,7	2,4	6,1	6,5	5,0
MSCI USA HEALTH CARE	18,1	15,9	14,3	17,5	6,4	14,4	10,8	8,5
MSCI USA H/C EQ/SVS	17,3	15,4	13,5	16,8	6,1	11,9	14,1	7,7
MSCI USA PHARM/BIOTEC	18,6	16,1	14,8	17,9	6,6	15,9	8,9	9,0
MSCI USA FINANCIALS	14,3	12,8	11,5	13,9	8,7	11,9	10,9	9,6
MSCI USA IT	23,6	18,6	16,2	21,4	42,7	27,0	14,5	35,6
MSCI USA COMM SERVICES	21,9	19,0	16,4	21,1	13,6	15,5	15,4	14,1
MSCI USA UTILITIES	19,8	18,1	16,5	19,4	11,4	9,4	9,5	10,9

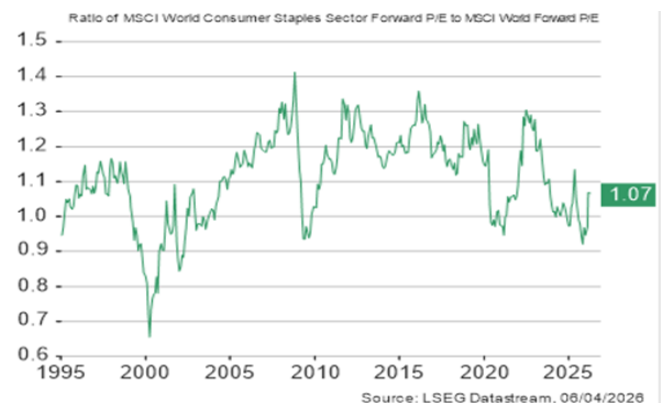
26-03-26	PE				EPS Growth - %			
	2026	2027	2028	12m fwd	2026	2027	2028	12m fwd
MSCI EUROPE (€) (*)	15,4	13,7	12,4	14,9	13,1	12,0	10,9	12,9
MSCI EUROPE ENERGY	13,1	12,3	11,1	12,9	9,5	6,5	11,3	8,7
MSCI EUROPE MATERIALS	16,4	14,8	13,8	16,0	24,8	10,5	7,1	20,6
MSCI EUROPE INDUSTRIALS	22,0	19,2	17,1	21,1	10,3	14,4	12,5	11,9
MSCI EUROPE CONS DISCR	14,5	12,2	10,8	13,9	155,6	18,3	16,0	93,8
MSCI EUROPE CONS STAPLES	16,8	15,6	14,7	16,5	3,6	7,9	6,9	5,1
MSCI EUROPE FD/STAPLES RTL	14,2	13,1	12,1	14,1	11,4	8,8	8,4	11,5
MSCI EUROPE FD/BEV/TOB	16,8	15,6	14,6	16,4	2,6	7,9	7,0	4,5
MSCI EUROPE H/H PERS PRD	18,3	17,0	16,1	17,9	3,3	7,3	5,7	4,3
MSCI EUROPE HEALTH CARE	16,1	14,6	13,2	15,7	4,0	9,9	10,7	5,5
MSCI EUROPE H/C EQ/SVS	18,9	16,8	14,9	18,3	14,1	12,9	12,6	13,9
MSCI EUROPE PHARM/BIOTEC	15,7	14,3	13,0	15,3	2,9	9,6	10,5	4,6
MSCI EUROPE FINANCIALS	10,3	9,2	8,3	10,0	7,9	12,0	10,7	8,8
MSCI EUROPE IT	29,5	23,8	20,4	27,7	14,3	24,0	16,7	17,3
MSCI EUROPE COMM. SERVICES	17,7	15,6	14,2	17,2	12,7	13,4	10,8	12,9
MSCI EUROPE UTILITIES	16,7	15,5	14,6	16,5	5,5	7,6	6,6	6,3

Source: IBES; MSCI, BNP Paribas

BASED ON RELATIVE FWD P/E RATIOS, GLOBAL HEALTH CARE IS CHEAP ON A HISTORICAL BASIS



BASED ON RELATIVE FWD P/E RATIOS, GLOBAL STAPLES LOOK MORE FAIRLY PRICED



European and US Sectors in a nutshell

Sector (STOXX Europe 600)	View			YTD	Out/ underperf. vs index	Our view at a glance
	UW	N	OW			
Health Care		X		-3,05%	-1,52%	Defensive compounder with attractive valuations. This sector should be a key AI beneficiary: expect efficiency gains in a structurally growing market (e.g. demographics, obesity etc). Key risks: weakening USD, tariffs. Negotiations with the US administration (lowering drug prices, etc) look more constructive now.
Industrial Goods & Services		X		-3,17%	-1,64%	A main beneficiary of infrastructure, defense spending, data centers construction, renewable energy projects, re-/nearshoring, and electrification although short term, there are some market frustrations that these investments are a bit slow to translate in new earnings. Higher energy prices could hurt profits in some instances.
Utilities		X		12,45%	13,98%	European infrastructure spending and energy independence willingness are tailwinds, whereas (green and AI-related) power demand continues to grow. Higher energy prices could hurt some names.
Banks	X			-7,11%	-5,58%	Cheap valuations (avg P/E <10). Balance sheets are solid and profitability is high with new business opportunities. But stagflation is a rising risk. Besides, issues in the private credit business are also creating uncertainty.
Basic Resources	X			11,24%	12,77%	We have recommended energy transition commodities (huge needs due to AI & energy independence) and precious metals (cf. geopolitics) for a long time. Watch also metals/ rare earths necessary for (electronic) defense.
Chemicals	X			6,09%	7,62%	The sector should profit from EU infrastructure plans as well as from some end markets revivals. Competition from China, overcapacity, tariffs and now elevated energy prices are headwinds , except for some fertilizer and other chemical companies benefiting of the Iran conflict.
Construction Materials	X			-5,76%	-4,23%	(German) infrastructure and energy efficiency spending are catalysts for some. On the other hand, rebuilding Ukraine theme still looks distant. Energy prices a headwind for other companies in the sector. Be selective.
Cons. Products and Services	X			-18,62%	-17,09%	The sector suffers from tariffs, geopolitical uncertainties and higher risks / costs of travelling. Globally, some end markets have been recovering however (i.e. the USA). Be selective.
Energy	X			35,91%	37,44%	The sector is profiting from higher energy prices but it is not obvious to determine how long these will stay elevated. Medium term, we like energy infrastructure, equipment and services. Necessity to rebuild and develop new energy sources as some others have become unreliable.
Financial Services	X			-7,33%	-5,80%	Latest corporate results were fine but concerns have appeared relating to private credits/ equity businesses and possible AI disruption , i.e. AI startups aiming to automate some financial services' tasks (pressure on revenues and margins).
Insurance	X			-4,76%	-3,23%	Solid and rather defensive sector. Cash returns attractive but European insurance now looks fully priced at an avg fwd P/E > 11. Also, there is now a risk that some private loans exposure could turn sour. Be selective.
Real Estate	X			-4,86%	-3,33%	Defensive sector hit by rising bond yields. Logistics and data centers enjoy tailwinds from e-commerce/ AI. Be selective.
Retail	X			-10,15%	-8,62%	The sector has now found some capital discipline allowing for cash distribution. However, higher energy prices and other disruptions are putting pressure on margins.
Technology	X			-5,63%	-4,10%	Hardware and Semis related to AI under pressure in March whereas some software & services are facing the risk of business loss to AI (other ones are integrating AI quite well in their programmes and solutions). Be selective.
Telecommunications	X			16,05%	17,58%	New business opportunities relating to AI. Furthermore, the industry's falling capital intensity driven by the fibre cycle & the sector's free M&A option are supporting performance. EU infrastructure plans another support.
Auto & Parts	X			-14,06%	-12,53%	Automotives still weak due to rising competition with China, high EV investment costs, excess inventories, and bad pricing. Trade tensions and higher energy prices have created further complications.
Food, Bev and Tobacco	X			-1,18%	0,35%	Valuations high compared with the rest of the market and considering the sluggish earnings growth of the sector. Lack of upside catalysts except for its defensive profile. Favour 'self help' stories.
Media Price EUR	X			-19,15%	-17,62%	AI full impact on business models still unclear but very negative so far. Meta Platforms another threat as entering many (European) media businesses and grabbing more and more ads business/ market share.
Personal Care	X			-4,43%	-2,90%	The sector still faces headwinds from rising input costs while consumers are increasingly price sensitive. Lack of upside catalysts.
Travel & Leisure	X			-12,92%	-11,39%	Higher energy prices, travelling issues in some parts of the world, high competition and capacity expansion are big headwinds.

Sector (S&P 500 Level 1)	View			YTD	Out/ underperf. vs index	Our view at a glance
	UW	N	OW			
Health Care		X		-5,29%	-0,66%	Defensive compounder with attractive valuations in a structurally growing market (e.g. demographics, obesity etc). AI to bring more efficiency gains. Negotiations with the US administration (lower drug prices, etc) look more constructive now.
Industrials		X		4,30%	8,93%	Re-shoring, reindustrialization, defense, AI and other infrastructure (re)development are major tailwinds. But higher energy prices a headwind for some.
Communication Services	X			-7,10%	-2,47%	The sector is dominated by 2 mega tech companies, growing fast, but facing various litigations. The rest of the sector is not cheap either and is also facing challenges and opportunities. Be selective.
Consumer Discretionary	X			-9,34%	-4,71%	The sector is dominated by 2 expensive mega tech companies, facing various issues. However, their strong exposure to AI, automation and robotics keeps attracting interest. Other names in the sector could profit from a relatively resilient discretionary consumption in the US.
Energy	X			37,24%	41,87%	The sector is profiting from higher energy prices but it is not obvious to determine how long they will remain elevated. Medium term, we like energy infrastructure, equipment and services. Necessity to develop new energy sources as some others have become unreliable.
Information Technology	X			-9,25%	-4,62%	Trading at premium vs the market. Strong earnings growth has been supportive. Some sub-sectors such as software and SaaS are however at risk of losing business to AI. Besides, huge capex spending is raising questions on hyperscalers' future ROIs and profitability. Be selective.
Materials	X			9,30%	13,93%	Medium term, the sector should generally benefit from reshoring and reindustrialization. In the short term, we prefer stocks with exposure to precious metals, rare earths and metals necessary for (electronic) defense as well as energy transition metals mining.
Real Estate	X			1,94%	6,57%	Activity is still sluggish in residential RE. New construction activity is still muted. Commercial RE stabilising. Momentum is better at some logistics and specialized REITs.
Utilities	X			7,52%	12,15%	Solid growth in power demand due to AI & electrification but US utilities are not cheap anymore. Furthermore, there is now a growing risk of more controls or price caps on surging electricity prices in certain American states.
Consumer Staples	X			7,01%	11,64%	The sector looks fully priced. Costs have risen due to tariffs. Besides, consumers may continue to "trade down" due to economic uncertainties. However, some names exposed to emerging markets or expected to benefit more of AI have performed well recently.
Financials	X			-9,80%	-5,17%	Sector not cheap and now at risk of potential economic slowdown and problems in the private credits / equity sphere. Deregulation and volatile/ active capital markets could bring support however.



Valuations

TABLE 5: GLOBAL INDICES

Index	Level	Yr Range	Forward											Composite	
			EPS	5yr Z-Score	EPS change 4 weeks (%)	PE Ratio	5yr Z-Score	PB Ratio	5yr Z-Score	Div Yield	5yr Z-Score	RDE	5yr Z-Score	Earnings Yield	5yr Z-Score
MSCI ACWI	398	→→→	56.06	1.55	1.74	17.74	3.16	1.88	16.98	5.62	n.a.	n.a.			
MSCI World	4330	→→→	228.37	1.74	18.90	3.43	1.78	17.16	5.27	1.07	→→→				
MSCI Emerging Markets	1450	→→→	120.12	0.60	12.00	1.96	2.62	16.19	8.28	0.67	→→→				
S&P 500	6612	→→→	324.96	2.35	20.35	4.54	1.28	20.84	4.31	1.19	→→→				
S&P 500 Equal Weighted	7860	→→→	462.53	3.24	16.99	2.86	1.97	15.33	5.88	0.95	→→→				
Russell 2000	2541	→→→	96.82	-2.36	26.24	1.36	1.93	4.22	3.81	1.32	→→→				
NASDAQ 100	24192	→→→	1076.93	5.58	22.46	6.63	0.73	27.08	4.45	1.39	→→→				
MSCI USA Growth	23816	→→→	589.47	0.20	26.66	9.64	0.40	33.58	1.98	1.74	→→→				
MSCI USA Value	16212	→→→	253.30	3.78	16.85	3.12	2.07	17.28	1.56	0.96	→→→				
STOXX Europe 600	597	→→→	39.62	1.49	15.06	2.08	3.31	13.33	6.64	0.82	→→→				
STOXX Europe Mid 200	639	→→→	41.74	-1.24	15.30	1.95	3.47	12.51	6.54	0.83	→→→				
STOXX Europe Small 200	376	→→→	28.15	0.60	13.36	1.00	3.71	7.35	7.48	0.69	→→→				
DAX	23168	→→→	1526.95	-0.76	15.17	1.78	2.99	11.39	6.59	0.81	→→→				
FTSE 100	10436	→→→	774.26	3.90	13.48	2.18	3.36	15.30	7.42	0.75	→→→				
CAC 40	7962	→→→	527.84	2.24	15.08	1.90	3.32	11.99	6.63	0.81	→→→				
FTSE MIB	45625	→→→	3662.91	2.66	12.46	1.67	4.87	13.32	8.03	0.68	→→→				
Nikkei 225	53430	→→→	2478.32	2.22	21.55	2.48	1.72	11.36	4.64	1.15	→→→				
Hang Seng	25117	→→→	2241.40	-1.65	11.21	1.22	3.34	10.56	8.92	0.59	→→→				

TABLE 6: EUROPEAN SECTORS

Index	Level	Yr Range	Forward											Composite	
			EPS	5yr Z-Score	EPS change 4 weeks (%)	PE Ratio	5yr Z-Score	PB Ratio	5yr Z-Score	Div Yield	5yr Z-Score	RDE	5yr Z-Score	Earnings Yield	5yr Z-Score
STOXX Europe	597	→→→	39.62	1.49	15.06	2.08	3.31	13.33	6.64	16%	1.00				
STOXX 600 Consumer P&S	330	→→→	14.98	-1.15	22.01	3.17	2.42	14.21	4.54	27%	1.47				
STOXX 600 Energy	182	→→→	14.14	24.43	12.85	1.91	3.53	14.52	7.78	-2%	0.86				
STOXX 600 Food, Bev and Tobacco	187	→→→	12.68	1.70	14.72	2.59	3.91	16.44	6.79	16%	1.01				
STOXX 600 Personal Care	164	→→→	11.06	-0.90	14.82	3.03	3.62	19.14	6.75	13%	1.04				
STOXX 600 Chemicals	1177	→→→	62.60	-0.09	18.81	1.99	3.12	10.72	5.32	10%	1.21				
STOXX 600 Utilities	571	→→→	34.36	-2.27	16.61	2.02	3.83	11.89	6.02	0%	1.09				
STOXX 600 Banks	341	→→→	35.60	0.92	9.57	1.24	5.39	13.10	10.45	19%	0.63				
STOXX 600 Real Estate	124	→→→	7.77	-0.83	15.99	0.83	4.50	7.79	6.25	19%	0.98				
STOXX 600 Technology	811	→→→	37.06	-0.01	21.89	4.34	1.40	20.39	4.57	33%	1.53				
STOXX 600 Autom. & Parts	461	→→→	54.25	-2.32	8.50	0.56	4.61	6.20	11.76	20%	0.53				
STOXX 600 Health Care	1131	→→→	68.04	-0.53	16.63	3.31	2.43	16.66	6.01	16%	1.16				
STOXX 600 Financial Services	854	→→→	58.31	-2.63	14.65	1.55	3.06	10.03	6.83	20%	0.94				
STOXX 600 Insurance	497	→→→	41.57	0.24	11.96	2.02	5.17	16.79	8.36	8%	0.82				
STOXX 600 Telecom	299	→→→	17.72	-0.12	16.88	1.88	3.77	9.95	5.32	5%	1.09				
STOXX 600 Media	331	→→→	27.39	-1.19	12.09	0.22	3.77	1.36	8.27	53%	0.72				
STOXX 600 Ind. Goods & Services	1069	→→→	47.33	-0.39	22.59	3.99	2.09	16.86	4.43	19%	1.55				
STOXX 600 Constn & Materials	818	→→→	47.41	0.12	17.26	2.34	2.87	13.39	5.79	17%	1.14				
STOXX 600 Basic Resources	758	→→→	53.70	3.10	14.12	1.68	3.19	11.81	7.08	6%	0.92				
STOXX 600 Retail	448	→→→	28.55	-0.76	15.69	2.82	3.27	16.75	6.37	21%	1.08				
STOXX 600 Travel & Leisure	253	→→→	24.47	-1.92	10.32	2.57	3.15	23.19	9.69	25%	0.75				

*BBG consensus, NOT an official BNP target price

TABLE 7: US SECTORS

Index	Level	Yr Range	Forward											Composite	
			EPS	5yr Z-Score	EPS change 4 weeks (%)	PE Ratio	5yr Z-Score	PB Ratio	5yr Z-Score	Div Yield	5yr Z-Score	RDE	5yr Z-Score	Earnings Yield	5yr Z-Score
S&P 500	6612	→→→	324.96	2.35	20.35	4.54	1.28	20.84	4.91	33%	1.00				
S&P 500 Consumer Discretionary	1752	→→→	71.84	-0.53	24.39	6.70	0.73	24.27	4.10	103%	1.25				
S&P 500 Consumer Staples	933	→→→	41.98	-0.02	22.44	6.37	2.51	27.92	4.46	12%	1.16				
S&P 500 Energy	918	→→→	52.25	25.71	17.57	2.44	2.66	14.00	5.69	1%	0.80				
S&P 500 Financials	830	→→→	55.56	0.45	14.94	2.07	1.98	13.38	6.70	21%	0.68				
S&P 500 Health Care	1706	→→→	96.15	0.12	17.74	4.28	1.85	20.20	5.64	22%	0.88				
S&P 500 Industrials	1994	→→→	54.05	-1.28	25.79	6.41	1.29	23.93	3.88	15%	1.29				
S&P 500 Information Technology	5280	→→→	243.36	4.88	21.70	9.00	0.58	38.32	4.61	36%	1.23				
S&P 500 Materials	633	→→→	32.05	1.25	19.74	3.02	1.65	14.82	5.06	14%	0.91				
S&P 500 Real Estate	265	→→→	7.30	-0.11	36.35	3.12	3.45	8.30	2.75	14%	1.59				
S&P 500 Communication Services	429	→→→	21.51	0.25	19.95	4.44	0.79	21.01	5.01	29%	0.98				
S&P 500 Utilities	469	→→→	24.61	-0.73	19.07	2.18	2.78	11.42	5.25	10%	0.85				

*BBG consensus, NOT an official BNP target price

Source: BNP Paribas, Bloomberg

Z-Score: Defines the number of standard deviations a value is from the mean of a given distribution. Negative z-scores indicate the value lies below the mean. Positive z-scores indicate the value lies above the mean.

Date: 7 April 2026

Our key convictions at a glance (neutral equity)

Relative view*		USA	Europe	Japan	Emerging Markets
Relative view*		Neutral	Underweight	Neutral	Neutral
What we (especially) like		Energy Infrastructure, Equipment & Services	UK	Domestically exposed names benefiting from wage gains or GDP growth (including SMIDS)	Brazil
What we don't (really) like			Exporters, Travel & leisure		Asia ex-China
Preferred themes & trades	Regional basis	Buybacks & Quality Dividend growth	Strategic Autonomy (with selectivity)	Governance Reform achievers	Chinese tech
	Global Basis	Infrastructure and industrials exposed to fiscal spending Innovation in Healthcare Metals & mining, particularly those critical for renewables, electrification and defense electronics			

* Relative view: against your benchmark

Economic, FX forecast tables

Stronger gross overall

BNP Paribas Forecasts

Country	2025	2026	2026- Bloomberg Consensus	2027	2027- Bloomberg Consensus
United States	2.1	2.9	2.5	2.0	2.0
Japan	1.2	0.8	0.8	0.9	0.9
United Kingdom	1.3	1.0	1.0	1.3	1.4
Switzerland	1.4	1.0	1.2	1.6	1.5
Eurozone	1.5	1.6	1.2	1.6	1.5
Germany	0.4	1.4	1.0	1.5	1.5
France	0.9	1.3	1.0	1.3	1.2
Italy	0.7	1.0	0.8	0.9	0.9
Emerging					
China	5.0	4.7	4.6	4.5	4.4
India**	7.6	7.0	7.4	6.8	6.8
Brazil	2.2	1.8	1.8	1.4	1.8

** Fiscal year

Source : BNP Paribas, Bloomberg - 23.03.2026

Increasing concerns about inflation. US revised up

BNP Paribas Forecasts

Country	2025	2026	2026- Bloomberg Consensus	2027	2027- Bloomberg Consensus
United States	2.7	3.1	2.7	2.7	2.5
Japan	3.1	1.9	1.9	2.5	2.0
United Kingdom	3.4	2.4	2.5	2.2	2.2
Switzerland	0.2	0.1	0.4	0.4	0.7
Eurozone	2.1	1.9	2.0	2.3	1.9
Germany	2.2	1.6	2.1	2.3	2.0
France	1.0	1.1	1.3	1.5	1.6
Italy	1.7	1.5	1.5	1.9	1.7
Emerging					
China	0.1	0.9	0.7	1.0	1.0
India*	2.1	4.1	2.1	4.3	3.9
Brazil	5.0	4.0	4.0	3.8	3.9

* Fiscal year

Source : BNP Paribas, Bloomberg - 23.03.2026

FX FORECASTS EUR

Country	Spot 26/03/2026	Trend	Target 3 months (vs. EUR)	Trend	Target 12 months (vs. EUR)
United States	EUR / USD 1.15	Neutral	1.14	Negative	1.20
United Kingdom	EUR / GBP 0.86	Neutral	0.87	Neutral	0.87
Japan	EUR / JPY 184.27	Positive	180	Neutral	186
Switzerland	EUR / CHF 0.92	Neutral	0.92	Neutral	0.92
Australia	EUR / AUD 1.67	Positive	1.61	Negative	1.76
New-Zealand	EUR / NZD 2.00	Positive	1.90	Neutral	2.00
Canada	EUR / CAD 1.60	Neutral	1.57	Neutral	1.62
Sweden	EUR / SEK 10.86	Neutral	10.80	Positive	10.60
Norway	EUR / NOK 11.17	Neutral	11.30	Neutral	11.10
Asia					
China	EUR / CNY 7.97	Positive	7.75	Negative	8.16
India	EUR / INR 108.45	Positive	102.60	Neutral	108.00
Latam					
Brazil	EUR / BRL 6.04	Neutral	6.16	Negative	6.84
Mexico	EUR / MXN 20.52	Neutral	20.52	Negative	21.90

Source: BNP Paribas, LSEG

FX FORECASTS USD

Country	Spot 26/03/2026	Trend	Target 3 months (vs. USD)	Trend	Target 12 months (vs. USD)
Eurozone	EUR / USD 1.15	Neutral	1.14	Positive	1.20
United Kingdom	GBP / USD 1.34	Neutral	1.31	Positive	1.38
Japan	USD / JPY 159.67	Neutral	158.00	Positive	155.00
Switzerland	USD / CHF 0.79	Neutral	0.81	Positive	0.77
Australia	AUD / USD 0.69	Positive	0.71	Neutral	0.68
New-Zealand	NZD / USD 0.58	Positive	0.60	Positive	0.60
Canada	USD / CAD 1.39	Neutral	1.38	Positive	1.35
Asia					
China	USD / CNY 6.90	Neutral	6.80	Neutral	6.80
India	USD / INR 93.97	Positive	90.00	Positive	90.00
Latam					
Brazil	USD / BRL 5.23	Negative	5.40	Negative	5.70
Mexico	USD / MXN 17.78	Neutral	18.00	Negative	18.25
EMEA					
South Africa	USD / ZAR 17.05	Positive	16.50	Positive	16.00
USD Index	DXY 99.90	Neutral	100.66	Negative	96.23

Source: BNP Paribas, LSEG

FRANCE

Edmund SHING

Global Chief Investment Officer

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

Patrick CASSELMAN

Senior Investment Advisor, Commodities

GERMANY

Stephan KEMPER

Chief Investment Strategist

LUXEMBOURG

Guy ERTZ

Deputy Chief Investment Officer

ASIA

Prashant BHAYANI

Chief Investment Officer, Asia

Grace TAM

Chief Investment Strategist



CONNECT WITH US



[wealthmanagement.bnpparibas](https://www.wealthmanagement.bnpparibas)

DISCLAIMER

This marketing document is communicated by the Wealth Management Métier of BNP Paribas SA, a French limited liability company whose registered office is located at 16 boulevard des Italiens, 75009 Paris, France, registered with the Paris Trade and Companies Registry under number 662 042 449, registered in France as a bank by the European Central Bank ("ECB") and in France with the French Autorité de Contrôle Prudentiel et de résolution ("ACPR") and regulated by the French Autorité des Marchés Financiers ("AMF") (hereinafter "BNP Paribas").

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 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 the purpose of providing general information and shall not constitute an offer, a solicitation or an investment advice nor shall it form the basis of or be relied upon in connection with any investment. In addition, this document and its content shall not in any way be construed as an advertisement, inducement or recommendation of any kind or form whatsoever. 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 nor any liability for the use of or reliance on this document or any part of the information contained herein.

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