



PERSPECTIVES 2026

ANNUAL OUTLOOK

Investing in tomorrow – Opportunities and risks



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Letter to Investors

Investing in tomorrow – Opportunities and risks



Christian Nolting,
Global CIO

The global economy is in constant flux. Trade flows are shifting, regions are gaining or losing influence, and new technologies are also reshaping the economic map. 2025 has been challenging in some respects, but many local equity indices did deliver very good performance. Given the positive macro environment, we expect 2026 to be another constructive year, albeit with continuing market volatility. Although we anticipate a reduction in some uncertainties, it will definitely not be a time for complacency – especially as global trade relations are far from settled. The continued rise of artificial intelligence (AI) may open up new growth opportunities, which should encourage companies to increase their investment activity, potentially giving fresh impetus to both private and public consumption.

The US administration's tariffs agenda appears to have now been largely implemented. While the disorientation that followed the declaration of "Liberation Day" in early April still lingers globally and domestically, most US trading partners have managed to significantly reduce initial steep tariff hikes through renegotiation. Overall, markets seem to have priced in the effects of the new environment, with overall tariffs still considerably higher than in January 2025 when the current administration began its tenure.

US growth is likely to be supported by the continuation and introduction of extensive tax relief measures, as well as increased spending on security and defence under the One Big Beautiful Bill Act. The three interest rate cuts expected from the Federal Reserve by the end of 2026 and planned deregulation in the banking sector should also further improve the investment and consumption environment. What makes these government stimuli remarkable is that they come at a time when the US economy is not in recession but is already growing robustly. The US also appears to be close to full employment. Despite the long-term risks such an environment may pose – including inflationary pressures and rising public debt – we expect fiscal and monetary measures to deliver noticeable economic support in 2026.

We also anticipate that policy will deliver a cyclical impulse in Europe, for example due to Germany's EUR500bn special fund. Planned investments, particularly in infrastructure and climate neutrality, could trigger a short-term upswing. To achieve sustainably higher growth, however, improving domestic economic flexibility remains crucial to foster entrepreneurial initiatives and create an investment climate that enhances productivity. In my view, urgent action is still needed here.

We maintain a broadly constructive outlook for equity markets in 2026. This will be partly due to strong demand for new AI-based applications, which should continue to drive substantial corporate investment flows. Beneficiaries will not only include US "Big Tech" but also a wide range of sectors – construction (thanks to new data centres), utilities (via higher electricity

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demand) and industrial and basic materials along the supply chain. Our earnings growth forecasts for companies across all major regions are therefore firmly in double-digit territory.

As outlined in our annual outlook themes, investors should also consider potential risks in equity markets. In the area of highly energy-intensive AI applications, for instance, a global power shortage could dampen investor expectations for progress. Not every stock will be a winner in 2026, and short-term corrections at index level remain possible.

Investors should therefore continue to act with discipline. This means focusing on fundamentals rather than chasing perceived trends, while utilising the broad spectrum of investment opportunities. Diversification remains key. Alongside equities, corporate bonds may be attractive – depending on your risk appetite, both investment-grade and high-yield segments. Gold and some non-traditional investments, such as in private equity or infrastructure, also merit consideration. We explore these in detail in the “Alternative Investments” section of this annual outlook.

Overall, we expect a dynamic year for capital markets in 2026 with numerous compelling opportunities. The central question will be whether constructive forecasts can hold up amid a backdrop of economic and geopolitical challenges. Further disruptions to global trade flows or a renewed escalation of tariff tensions could, for example, temporarily pressure corporate earnings and increase market volatility.

In a complex and uncertain environment, investors would therefore be well advised to actively manage risks. This will enable them to respond to market developments in line with their personal investment strategy. Staying invested with a defined strategic asset allocation will be key, as attempts to perfectly time market entry and exit points can often result in missing the best-performing days and weeks.

I hope you find our annual outlook insightful and full of stimulating ideas for your portfolio. We are always available to review and discuss these ideas and look forward to hearing from you.

Christian Nolting
Global CIO



1

Value at risk – Crises and conflicts

-
- Geopolitics, inflation, sovereign debt, tariffs: many risk factors likely to persist in 2026.
 - Earnings expectations: disappointments could trigger volatility.
 - AI: more of a structural boom than a bubble.
-

Concerns about resurgent elevated inflation rates remain pressing.

One thing upfront: for 2026, we expect the global economy to remain generally robust. Our outlook for investors is fundamentally constructive, with a wide range of attractive investment opportunities. However, the multitude of existing and potential crises and conflicts poses increasing challenges for investors. Active management of investment risks will therefore become ever more critical for prudent and strategic asset allocation.

Several risk factors for 2026 are already familiar to us from previous years. Geopolitically speaking, they include the situation in the Middle East, developments in the context of Russia's war on Ukraine, and the tensions between China and Taiwan, the economic ramifications of which are particularly significant given the pivotal role of Taiwan in the global semiconductor industry. Concerns about a resurgence of elevated inflation rates also remain pressing. They could be fuelled by overly loose monetary policies in certain central banks, as well as higher US tariffs, protectionism, and altered supply chains. Sovereign debt is also likely to remain hotly debated amid large-scale government spending programmes worldwide.

With regard to international trade disputes – especially those between the US and China – a degree of pragmatism appears to have returned for now, partly related to the details of the “tariff truce” announced in early November. Under this agreement, Beijing will ease export

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Disappointment of earnings expectations would likely have an immediate impact on capital markets and might trigger price corrections.

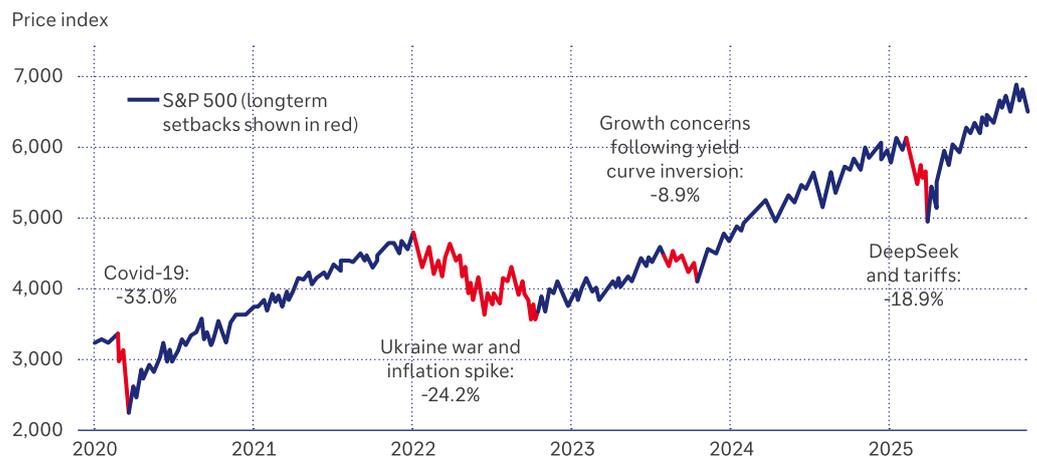
controls on rare earths, and both sides will suspend their steep retaliatory tariffs for one year. How long this will last remains uncertain, given the sometimes erratic political decision-making observed in the recent past. Additional disruptions to global trade relations would negatively impact economies and capital markets. Tariffs, regardless of origin or rationale, act as indirect taxes on international supply chains, drive up the cost of imports and reduce corporate profitability.

One area investors should therefore monitor closely is corporate earnings. While our forecasts for 2026 anticipate solid double-digit profit growth across all major market regions, disappointment of these expectations would likely have an immediate impact on capital markets and might trigger price corrections.

We also expect continued elevated volatility in investments within the increasingly important field of artificial intelligence (AI). In a dynamically evolving market, sharp swings – both upward and downward – are more the norm than the exception. At present, we do not see the risk of an AI-driven equity market bubble however, despite some significant price surges and high stock valuations. Unlike classic bubbles of the past, current developments are underpinned by the strong fundamentals of the companies involved: they generate substantial profits and robust cash flows, and can finance most of their massive investments from existing liquidity without taking on debt. We are monitoring debt financing activities closely and view developments in the AI sector as a structural boom rather than a bubble, while recommending particular caution in selecting AI-related companies.

There are two additional investment risks for the coming year and beyond that are directly linked to AI technologies: first, the potential for globally rising electricity prices driven by the massive expansion of energy-intensive AI infrastructure such as data centres; and second, the threat of AI-powered cyber attacks targeting businesses and government agencies.

DNA of the equity market: Setbacks are the rule, not the exception



Source: LSEG Datastream, Deutsche Bank AG. Data as of November 20, 2025.

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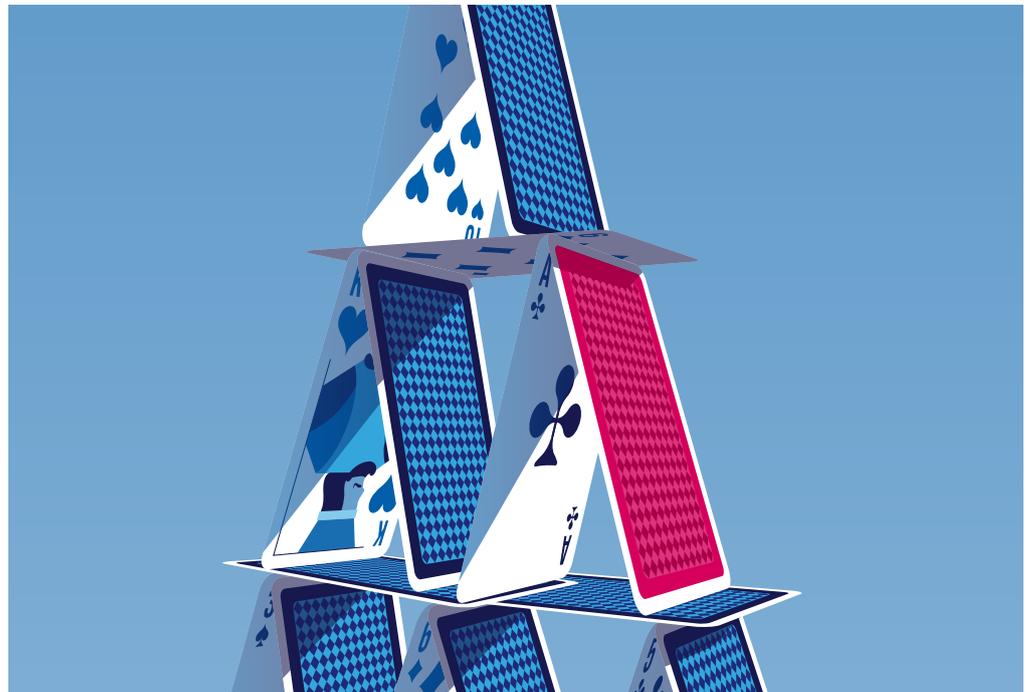
Politics – Cooperation!

- Trade tensions between the US and China set to continue in 2026.
- Pragmatism may prevent escalation temporarily.
- US midterm elections in November to dominate the domestic US agenda.

The strongest card in US hands is tariffs – their second trump card is export restrictions.

From a global perspective, the most significant political issue is the conflict between the US and China. The ongoing years-long battle between the world's two largest economies for technological and geopolitical predominance reached a new level in early April 2025 when "reciprocal punitive tariffs" were announced. China, in turn, threatened retaliatory tariffs and expanded trade restrictions. This sabre-rattling on trade produced no clear winner, as both sides hold strong cards – and play them when necessary.

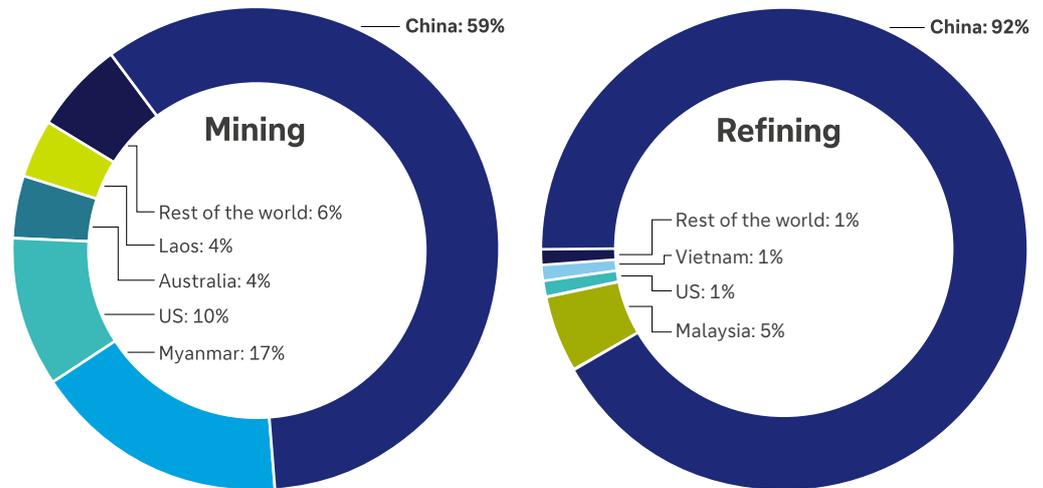
The strongest card in US hands is tariffs, for although Chinese exports to the US have already declined significantly due to higher tariffs, the US remains one of China's most important markets. According to estimates, around 10% of all Chinese goods and services still make their way across the Pacific – making even higher import tariffs detrimental. The second US trump card is export restrictions on products where it remains something of a technology and market leader, such as semiconductors and aircraft manufacturing. China, however, can also leverage export restrictions – and with considerable force. This primarily concerns so-called rare earths, without which it is virtually impossible to manufacture many tech products such as smartphones, industrial robots, and fighter jets. China is not only by far the world's largest producer of these indispensable metals but also holds a virtual monopoly on their processing. Between 2000 and 2023, roughly 70% of all rare earths imported into the US came from China – efforts by the US government to reduce this dependency have so far borne little fruit.



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Rare earths: China is key all around the globe



Source: LSEG Datastream, Deutsche Bank AG. Data as of November 24, 2025. Values rounded.

Pragmatism could prevail beyond the coming year and restore greater stability to Sino-US relations.

Against this backdrop, the agreement reached at the end of October 2025 between President Trump and his Chinese counterpart Xi Jinping appears to be purely pragmatic. Mutual export controls were eased, the existing trade truce extended by one year, and certain tariffs reduced. However, strategic differences remain in areas such as semiconductors and rare earths, where both countries aim to build independent supply chains. It is therefore questionable whether the dispute with China has been resolved. Rather, the focus now seems to be on refining and finalising the negotiated compromises, as President Xi put it. At least, reciprocal state visits and cooperation at future APEC and G20 summits are planned for 2026 – a hopeful sign, in our view, that pragmatism could prevail beyond the coming year and restore greater stability to the relations between the US and China.

Domestically, two events will dominate the US agenda in 2026: first, the 250th anniversary of Independence Day on July 4 – a milestone likely to carry economic significance as well. Second, all eyes will be on the midterm elections in early November, which could decisively influence the government’s ability to act.

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3

Economy – The art of intelligence

- Global economy set for robust growth overall in 2026.
- US growth still ahead of Europe's. Outlook for China subdued.
- AI to drive structural growth, with monetary and fiscal policy as additional drivers.

Jeff Bezos considers it to be as fundamental as electricity, while Bill Gates claims that “it will change the way people work, learn, travel, get health care, and communicate with each other”. The rapid rise of AI is not just a game changer for these two US entrepreneurs. Market participants worldwide agree that AI will remain a structural growth theme well beyond 2026.

This conviction is reflected in the massive investments flowing into the technology – primarily, though not exclusively, in the US and China – covering areas such as research and development, data centres, energy and utility infrastructure, hardware, and software. Consulting firm McKinsey estimates that by 2030, more than USD5tn could be invested globally in additional AI computing power alone. This is a figure roughly equivalent to Germany’s current annual economic output. Such an investment environment is likely to provide short-term economic stimulus and long-term productivity gains – though it also carries the risk of overinvestment. However, intense competition among companies and nations should prevent a sharp slowdown in investment flows.

Adding to the structural growth impulse from AI is expansionary fiscal policy worldwide and, for this already growth-friendly environment, a comparatively accommodative monetary stance by major central banks. Against this backdrop, we expect a sequential economic recovery in 2026, particularly in the US and Germany.

Forecast

Economic growth

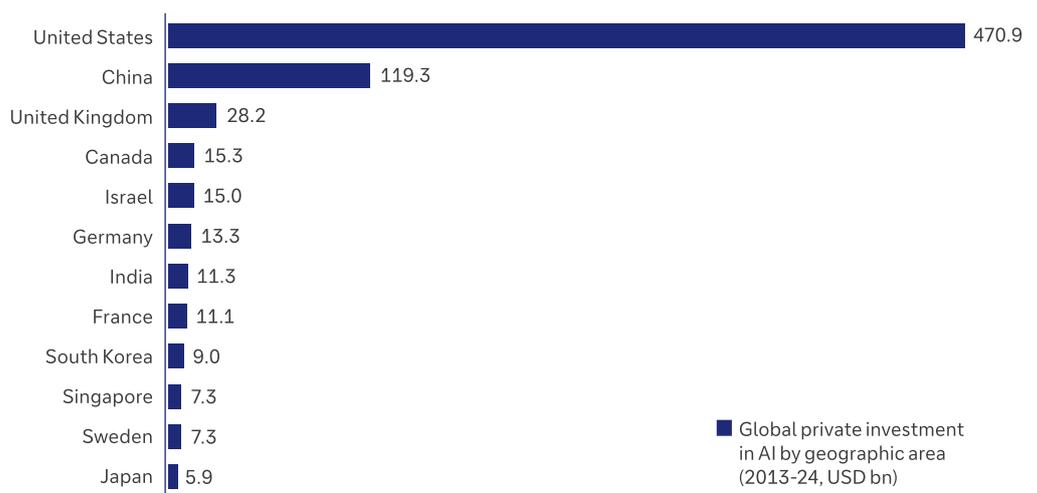
Gross domestic product (GDP) growth forecasts for selected economies compared to the previous year (%).

	2025	2026
World	3.2	3.1
US ¹	1.9	2.1
Eurozone	1.4	1.1
Germany	0.3	1.2
France	0.8	1.0
Italy	0.6	0.8
Spain	2.9	2.2
Japan	1.2	0.7
China	5.0	4.5

¹ Q4/Q4 growth 1.6% (2025), 2.1% (2026).

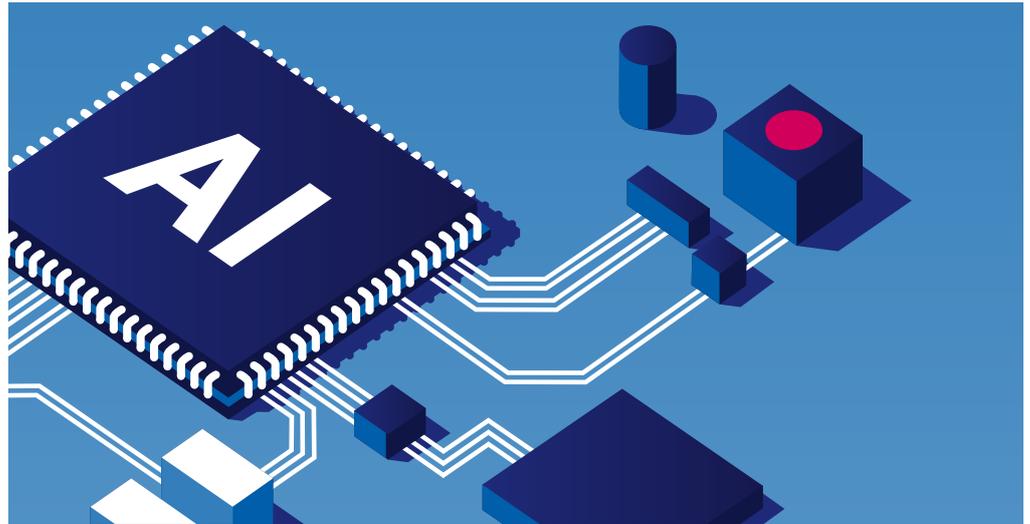
Source: Deutsche Bank AG, Bloomberg Finance L.P. Data as of November 20, 2025.

Advantage to the US: The world’s largest investments in AI by far



Source: The AI Index 2025 Annual Report by Stanford University, FAZ, heise online, Handelsblatt, Deutsche Bank AG. Data as of November 20, 2025.

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In the US, catch-up effects following the end of the government shutdown and fading uncertainties around trade policy should support a gradual rebound in economic activity in the new year. Key drivers are likely to include strong US consumers, robust corporate balance sheets, continued growth in AI investments, and government spending under the “One Big Beautiful Bill Act” fiscal package. In addition, we expect the Federal Reserve (Fed) to make three rate cuts of 25 basis points each by the end of 2026, bringing the policy rate to a range of 3.00–3.25%, further easing financing conditions. A patriotic surge in optimism surrounding the 250th anniversary of US Independence on July 4 could also translate into higher consumer spending.

Our focus for Europe in 2026 will therefore be on monetary and fiscal measures that should support growth in the short and medium term.

In Europe, both short- and long-term AI-driven growth impulses are likely to be weaker than in the US. This is less about technical know-how and more about significantly lower investment in AI technologies and the frequent outsourcing of innovation monetisation to foreign companies. Persistent trade barriers within the single market further dampen growth potential, while structural reforms are progressing too slowly. For Europe, our focus in 2026 will therefore be on monetary and fiscal measures that should support growth in the short and medium term. Germany, in particular, is expected to benefit from planned large-scale investments in infrastructure and defence, which should provide an additional boost to the manufacturing sector once funds are deployed. This is a positive signal after five years of economic stagnation and should also help other European countries such as the Czech Republic and Poland to follow suit. In addition, the growth-enhancing impact of previous rate cuts should gradually materialise. The European Central Bank is likely to keep its deposit rate at 2% until the end of 2026.

China’s economy, despite the trade truce with the US and its innovative AI industry, may lose some momentum in 2026 – due largely to the ongoing real estate crisis, which is dampening household consumption. In Japan, Prime Minister Sanae Takaichi plans additional spending, tax relief, and investments aimed at stimulating the domestic market. Global investor interest in Japan has already risen significantly thanks to “Takaichinomics”.

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4

Policy – Intervention!

- Trend toward greater state intervention expected to continue.
- State-directed economic policy in China and the US – but also in Europe.
- This can often cause more harm than good: risk of missteps remains.

US tariffs and trade restrictions constitute massive interventions in economic activity.

In a free market economy, government intervention should be limited to what is necessary. Taxes which finance tasks that serve the common good – such as education, healthcare, or public infrastructure – are undisputedly essential. Targeted tariffs and subsidies can also make sense in the short term. Anything beyond that – such as export restrictions – is usually harmful. Yet, more and more countries now seem to view state-directed economic policy as a panacea to fend off competitors, ensure supply security, and stimulate growth. We doubt whether such an interventionist approach will deliver long-term success. The risk of missteps moreover, appears significant.

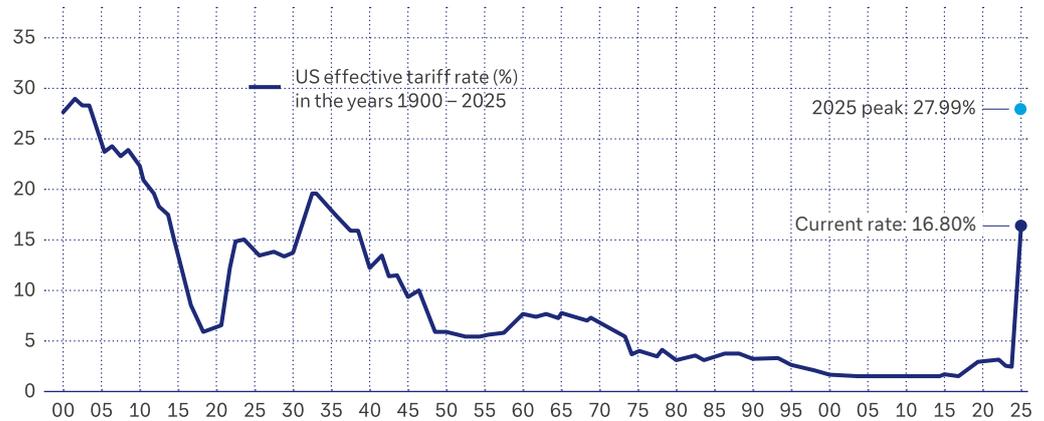
The protectionist measures adopted by the US including tariffs and trade restrictions are intended to attract investment, create jobs and weaken economic “rivals”. From a security perspective, this may be understandable – this would be the case for its efforts to deny China, its main opponent in the fight for global predominance, access to critical research findings and high-tech components and equipment. Ultimately, however, these measures remain massive interventions in economic activity.

In Europe, US policy is being sharply criticised in some quarters. Yet Europe is hardly immune to the temptation of state intervention. In Germany alone, industrial policy measures in the form of financial aid and tax incentives for companies have risen significantly in recent

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Trade shock: Highest US tariffs in nearly 100 years



Source: The Budget Lab at Yale, Deutsche Bank AG. Data as of November 20, 2025.

State intervention can make sense – but not necessarily. The risk of misallocation is ever-present.

years – from around EUR40bn in 2021 to more than EUR65bn in 2024. The aim is to retain or build up sectors designated as strategically important, such as semiconductors, hydrogen, or pharmaceuticals. This can make sense – but not necessarily. The risk of misallocation is ever-present. It may involve a technology that ultimately fails to gain traction or an industry whose mature products are available elsewhere at much lower cost – such as solar panels from China.

In our view, industrial and economic policy should refocus on providing a regulatory framework for business, promoting research and development, and ensuring defence readiness and supply security. Until then, investors should very closely monitor economic policy interventions and their impact on the real economy. We expect further monetary easing and fiscal measures, and central banks may potentially employ a wider range of tools than traditional rate cuts/hikes.

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5

Dollar – The empire strikes back

- USD stability maintained, including against the EUR.
- JPY may appreciate slightly against the USD.
- PBoC appears intent on keeping the USD/CNY stable.

It was one of the sharpest declines in the US dollar in the past 50 years. In the first half of 2025, the greenback fell in percentage terms against a trade-weighted currency basket as steeply as it last did at the end of the Bretton Woods system in 1973. At its peak the USD lost nearly 15% against the EUR. Many were quick to sound the death knell for the world’s most important reserve and reference currency. We believe this view is overly pessimistic – especially since the USD stabilised in the second half of 2025 and this year’s special situation of intensified hedging in response to a potential Mar-a-Lago Accord is unlikely to be repeated. We expect that at the end of 2026 its level against the EUR will be roughly the same as at present.

EUR/USD: Back where it started after major fluctuations



Source: LSEG Datastream, Deutsche Bank AG. Data as of November 20, 2025.

In 2026, we expect the US equity market to remain an attractive investment destination and generate strong inflows into the USD.

The main argument for such stabilisation, in our view, is the correlation between equities and currency in the US. Historically, whenever US equity markets have risen, the USD has tended to strengthen. This can be explained by portfolio investments driving USD demand. In 2026, we expect the US equity market to remain an attractive investment destination globally – thanks to relative and absolute economic strength, extensive fiscal measures under the One Big Beautiful Bill Act, relative calm in the China conflict, and large AI-related investments. These factors should generate strong inflows into the USD. Additionally, US tariff policies could increasingly draw foreign direct investment into the country – for example, to build production facilities to circumvent high import duties. Overall, we consider these effects to be highly robust.

However, there are also factors that could weigh on USD strength. For example, the Fed rate cuts that are expected by the end of 2026 may narrow short-term yield spreads versus the

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Forecast

FX

Forecasts for exchange rates of major international currencies for end-2026.

EUR vs. USD	1.15
USD vs. JPY	145
EUR vs. JPY	167
EUR vs. CHF	0.94
EUR vs. GBP	0.85
GBP vs. USD	1.35
USD vs. CNY	7.15

Source: Deutsche Bank AG, Bloomberg Finance L.P. Data as of November 20, 2025.

euro area and encourage capital outflows from US bonds. Planned infrastructure spending in Germany and defence investments in Europe could also support relative EUR strength by narrowing the growth gap between the two regions. Meanwhile, the One Big Beautiful Bill Act may not only boost US equity prices but also drive up US government debt – potentially undermining investor confidence in the USD, as could possibly growing doubts about Fed independence following the appointment of a new chair in late May 2026. If several of these factors coincide, even the US dollar’s status as a perceived ‘safe haven’ could come under pressure.

For now, drivers and dampers appear to be cancelling each other out – much like the intentions of the US administration: on the one hand, wanting to maintain the USD as a strong global reserve currency; on the other, seeking to exploit the advantages of a weaker currency for US exports.

In Japan, cautious monetary normalisation is expected to advance in 2026 due to relatively high inflation. A flattening yield differential versus the US and robust projected Japanese economic growth should support JPY appreciation against the USD. The CNY showed no weakness in 2025 despite the trade tensions between Beijing and Washington and is unlikely to depreciate significantly against the USD in 2026. The People’s Bank of China (PBoC) appears intent on keeping the USD/CNY stable – also in light of strong foreign direct investment – to strengthen the yuan’s role in global capital flows.



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6

Bonds – Playing with fire

- Normalisation of the US yield curve likely to persist.
- 10-year Bunds and Treasuries to offer positive real returns.
- Pay attention to the quality and size of corporate issuers.

Back to normal – at least when it comes to yield curves in Europe and the US. As anticipated in our previous annual outlook, a stable interest rate regime re-emerged in both regions during 2025, with higher yields on long-term bonds than on short-term bonds. The era of inverted curves thus appears to be over. We expect this trend to persist through to the end of 2026, offering attractive prospects for bond investors.

The good news for investors: they are once again being compensated for duration risk. In other words, the longer their money is tied up, the higher the yield. Since retail investors rarely invest at the ‘short end’ but rather in bonds with maturities of five to ten years, their return prospects have improved. In both Europe and the US, positive real returns on government bonds – after inflation – are possible again, something not seen this broadly for a long time. In 2026 we expect the curve steepness to stay intact on both sides of the Atlantic. By year-end 2026, we forecast yields of 4.15% for 10-year US Treasuries and 2.70% for corresponding Bunds. For 2-year government bonds, we expect yields of 3.50% in the US and 2.00% in Germany.

US yield curve: Normalisation ongoing



Source: LSEG Datastream, Deutsche Bank AG. Data as of November 20, 2025. Interest rates for US government bonds with different maturities (M = month, Y = year).

Legend: 30.12.2022 (dark blue line), 20.11.2025 (light blue line)

Forecast Inflation

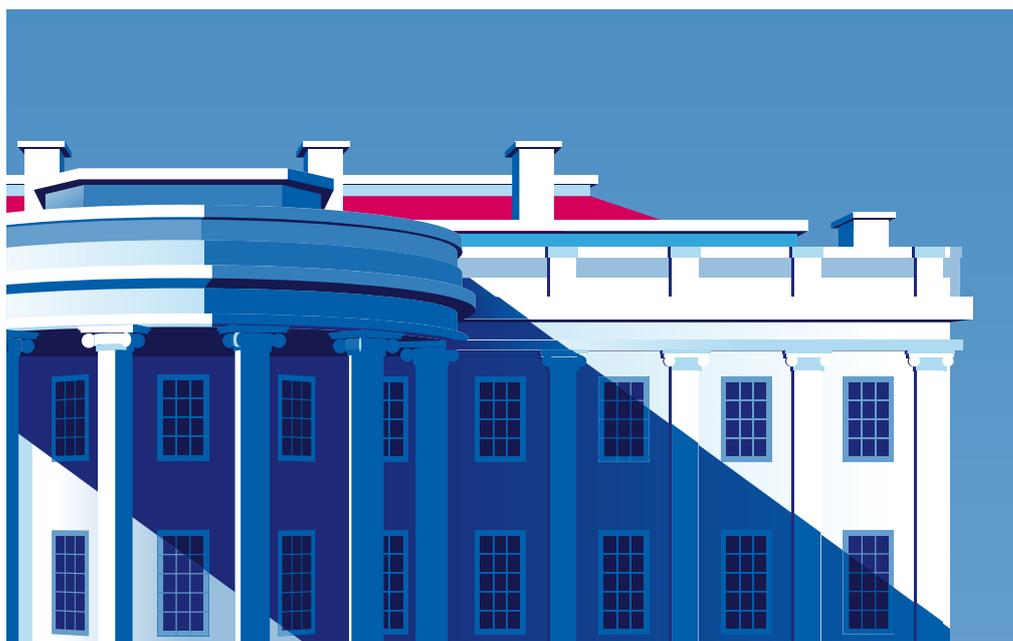
Consumer price inflation forecasts for selected economies compared to the previous year (%).

	2025	2026
US	2.8	2.9
Eurozone	2.1	2.0
Germany	2.3	2.1
Japan	3.1	2.0
China	0.0	0.8

Source: Deutsche Bank AG, Bloomberg Finance L.P. Data as of November 20, 2025.

Potential risks in the bond market are most pronounced in the US, where persistent price pressures could mean that Fed rate cuts – combined with fiscal stimulus programmes – would be “playing with fire”. Added to this are uncertainties surrounding future US economic policy decisions. In Germany, the anticipated fiscal impulse from the rollout of the federal government’s spending and investment package (Sondervermögen) could also prove inflationary in the long term, particularly if flows are biased towards consumption-enhancing spending as well. In an environment of sustained high prices, political uncertainty, and low potential growth, volatility in bond markets remains a constant risk.

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In 2026, the focus will be on income rather than price gains.

Investment-grade (IG) bonds in both USD and EUR continue to trade at spreads near multi-decade lows, supported by strong capital inflows and solid corporate balance sheets. In 2026, the focus will therefore be on income rather than price gains. Expected total returns are 4.9% in the US and 3.1% in the euro area. With spreads this tight, the risk of negative surprises is high. Investors should pay close attention to issuer quality and size. Companies with high leverage or operating in sectors outside favoured investment themes appear more vulnerable to volatility.

The spreads on high-yield (HY) bonds are also at historically low levels. As we do not anticipate a recession, this is not necessarily problematic, especially as yields remain attractive. However, given higher expected default rates, we continue to favour IG bonds in 2026.

The conditions and expectations for emerging market bonds are similar to bonds in the US and Europe. Low spreads coupled with the idiosyncratic risks of some of the issuers mean that quality should be the priority for sovereign and corporate debt investments. A mix of Asian corporate bonds and government securities could provide an interesting addition to a well-diversified portfolio – although, as with USD-denominated bonds, currency risks must always be taken into consideration.

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7

Equities – Discipline beats drama

- High corporate earnings expected worldwide.
- Spectrum of interesting investment opportunities likely to widen.
- Market corrections possible at any time – investment discipline remains essential.

Along with tech companies, most other sectors are also contributing to positive earnings growth, which should help stabilise it.

In recent years, a small group of corporations has largely shaped the development of global equity markets: tech companies have delivered the majority of corporate and share price gains. At the centre of attention were the major US players – the so-called Magnificent 7 – which alone account for around one-third of the S&P 500's market capitalisation. In 2026, "Big Tech" is likely to strengthen further in absolute terms – driven above all by the boom in AI. However, other regions, sectors and smaller companies should be able to continue the catch-up process they have already begun. We expect this will broaden the universe of attractive investment opportunities. In an environment of persistent market uncertainty and potential short-term setbacks, investors should act with discipline and practise active risk management.

Discipline in this context means not chasing every perceived trend, but investing based on fundamental criteria. Valuations are a key metric here. At present, they are partly at levels that anticipate very robust earnings growth in 2026. We expect most sectors and companies to meet or even exceed these expectations. Overall, earnings growth in the US, Europe and Japan is likely to reach solid double-digit levels. For earnings per share (EPS), consensus analysts forecast an increase of around 13-14% in those regions. In emerging markets, the average increase could be as high as 18%, which would represent a significant improvement compared with recent years – not only in absolute terms but also qualitatively. This is because, along with the tech companies, most other sectors are also increasingly contributing to positive earnings growth, which should help stabilise it.

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Forecast

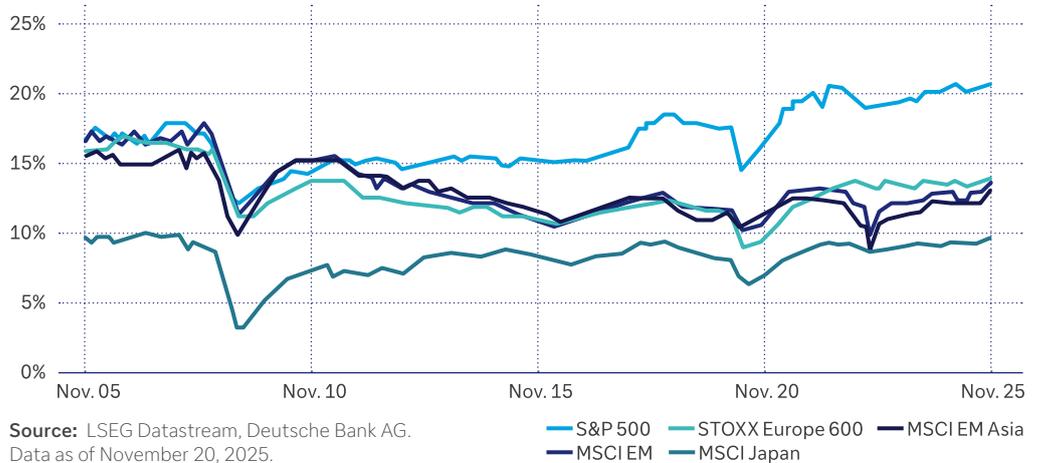
Equity index

Forecasts for price levels of major equity indices for end-2026 (index points).

United States (S&P 500)	7,500
Germany (DAX)	26,100
Eurozone (EURO STOXX 50)	5,950
Europe (STOXX Europe 600)	600
Japan (MSCI Japan)	2,200
Switzerland (SMI)	13,100
United Kingdom (FTSE 100)	10,100
Emerging Markets (MSCI EM)	1,480
Asia ex Japan (MSCI Asia ex Japan)	970

Source: Deutsche Bank AG, Bloomberg Finance L.P. Data as of November 20, 2025.

Return on equity: US firms streets ahead of all others



Nevertheless, technology remains the main driver, particularly in the US equity market. The ongoing AI boom should also benefit various other industries – construction (thanks to new data centres), utilities due to higher electricity demand, and industrial and materials stocks along the supply chain. Robotics companies are using AI to develop humanoid robots that can be deployed outside industrial settings, for example to perform tasks in the education and care sectors. Banks, in our view, should also continue to perform well: in the US thanks to sustained high capital market activity, and in Europe and Japan primarily due to a more profitable interest rate environment. In addition to these already strong sectors, pharmaceuticals and luxury goods – which both have challenging years behind them – could come back into focus for investors in 2026. They are likely to benefit from the easing of global trade tensions and recovering demand for luxury goods in China and the US. We also regard healthcare as a particularly compelling long-term investment theme. Industrial stocks appear attractive too, given the potential special economic cycle in Europe driven by fiscal stimulus in Germany.

Looking at the company level, small and mid-cap stocks could further expand the investment universe. On the one hand, because small and medium-sized companies are often more reliant on external financing and should therefore benefit particularly strongly from the recent decline in interest rates. On the other hand, due to their stronger domestic focus combined with expansionary fiscal policies in many regions.

Despite this optimism, market corrections should remain possible throughout 2026 – whether due to profit-taking, disappointing earnings developments or concerns about a supposed AI bubble. We do not share those concerns as the companies driving AI forward are generating substantial profits and robust cash flows and can fund most of their investments from existing liquidity without taking on debt. Nevertheless, investment discipline is essential. This includes a sector allocation tailored to the individual investor, active portfolio management and risk management that includes appropriate hedging mechanisms.

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The comparatively low proportion of AI companies in the overall market could make Indian equities interesting for investors seeking portfolio diversification.

Asia – growth centre

Asia is set to remain the growth engine of the global economy and should offer attractive opportunities for equity investors. This applies increasingly to Japan once again. Prime Minister Sanae Takaichi is supporting the domestic economy with fiscal measures and is likely to continue efforts to convince the Bank of Japan that, despite inflation exceeding the 2% target, a very gradual normalisation of monetary policy is appropriate. This should create additional scope for investment. A slight appreciation of the JPY should be manageable for the equity market. Rising corporate returns on equity should also have a positive impact on share prices. Technology and financials could be among the most interesting sectors.

Of the Asian emerging markets, China remains the most significant, accounting for around 33% of the MSCI Emerging Markets Asia Index. The government's new five-year plan focuses on innovation, technological independence and green technologies, and includes measures to reduce overcapacity and curb destructive competition. However, higher social spending, weakening international demand and economic policy uncertainties could act as growth headwinds. We consider technology, renewable energy and electromobility to be the sectors that are likely to derive the most benefit from Beijing's economic strategy.

Other potential investment targets include Taiwan, with its world-leading computer chip manufacturing, and South Korea, which also has a strong memory chip manufacturing sector. In the short term, the Indian equity market may continue to face headwinds due to partly high valuations and concerns about international trade restrictions. However, supportive factors could include the restructuring of value-added tax, a potentially more accommodative monetary policy from the Reserve Bank of India, and the possible negotiation of lower US tariffs. Notably, the proportion of AI companies in the overall market is comparatively low. This could make Indian equities interesting to investors seeking portfolio diversification once the correction is complete and in anticipation of double-digit percentage profit growth as early as 2026.

Somewhat removed from the traditional Asian equity markets, the Middle East has become more important in recent years. Although still dominated by oil trading overall, the economy in this growth region is making rapid progress with its transformation. One example is Saudi Arabia's "Vision 2030", with its planned investments in healthcare, renewable energy, and data centres. The United Arab Emirates are even more broadly diversified, having established themselves as a global communications and technology hub and a magnet for wealth and assets from around the world. Israel also offers a wide range of investment opportunities in areas where it is a global leader, for example in the field of cyber security. Taking into account the existing transformation risks, we consider all three economies to be of long-term interest to investors.

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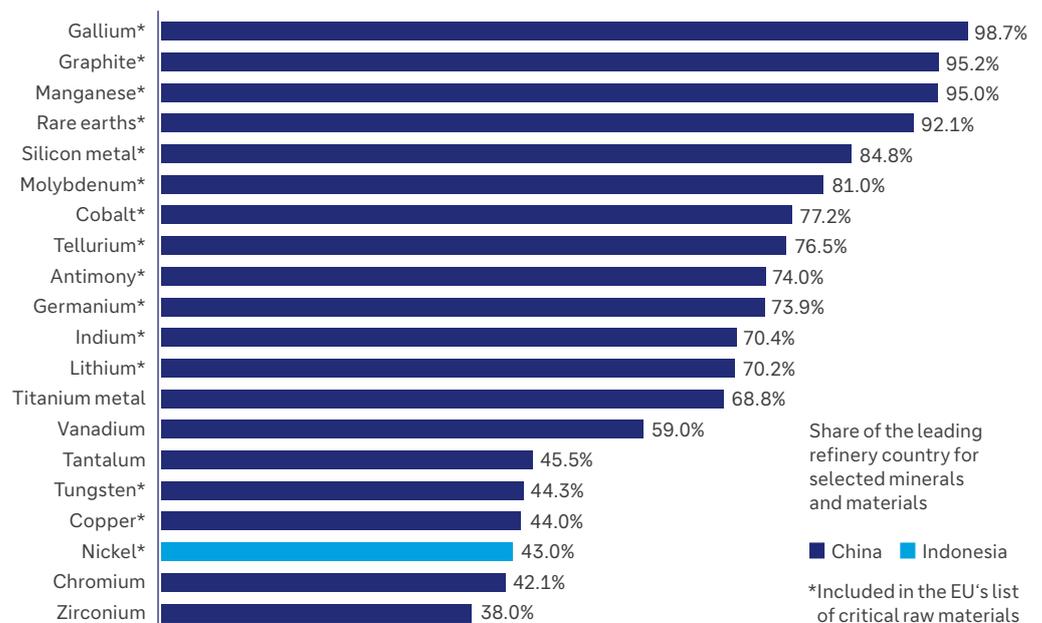
Commodities – Fiercely contested

- Chinese quasi-monopoly on rare earths; search for substitutes should intensify.
- Oil prices expected to stabilise at low levels.
- Gold has further upside potential.

Iron, copper, silicon or crude oil are widely regarded as indispensable industrial raw materials, but the list may also include, for example, neodymium, dysprosium and praseodymium – three of the total of 17 metals that are known as rare earths. Their economic and strategic importance is immense and continues to grow. Without them, modern semiconductors, magnets, batteries and metal alloys would be almost impossible to produce – which would also mean no smartphones, electric vehicles, military aircraft, AI servers or wind turbines. A single electric car motor contains around 300 grams of neodymium, approximately 40 grams of dysprosium and around 80 grams of praseodymium. A US F-35 fighter jet requires more than 400 kilos of various rare earths.

The crux of the matter is that although “rare earths” are often not actually rare, their extraction and processing are costly and cause severe environmental damage. Producing a single tonne of rare earths generates not only particulates and waste gases, but also some 75 cubic metres of toxic wastewater and one tonne of radioactive waste. This led to the closure of many rare earth mines worldwide around the turn of the millennium, while China massively expanded its capacity. “The Middle East has oil, we have rare earths”, the former leader of China Deng Xiaoping back in 1992. Today, China effectively holds a quasi-monopoly, refining 92% of the world’s industrial-grade rare earths.

Critical raw materials: China holds sway



Source: International Energy Agency, Deutsche Bank AG. Data as of May 13, 2025.

Forecast

Commodity prices

Forecasts for gold, oil, copper and carbon for end-2026.

Gold (USD/oz)	4,500
Oil (Brent Spot, USD/bbl)	60
Copper (USD/metric ton)	10,850
EU Carbon Allowances (Carbon Spot, t)	88

Source: Deutsche Bank AG, Bloomberg Finance L.P. Data as of November 20, 2025.

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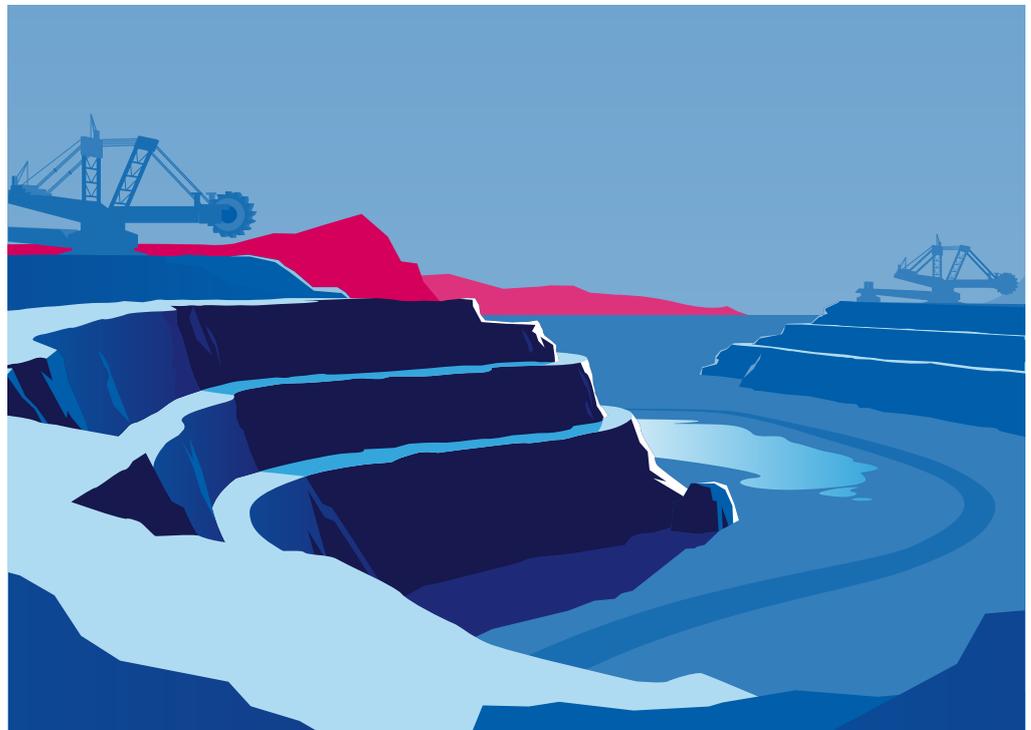


We expect the race for rare earths to intensify, as will efforts to find substitutes for rare earths.

The impact of this monopoly became evident in autumn 2025, when China further restricted exports of rare earth metals during its trade dispute with the US. Only the agreement reached at the end of October eased tensions somewhat. We expect the race for rare earths to intensify, as will efforts to find substitutes for rare earths. These remain difficult to replace, but promising prospective solutions do exist – for example, replacing rare earths in high-performance permanent magnets with alloys of more accessible metals such as iron, nickel or cobalt. Companies involved in mining rare earths and in research into substitutes could provide investors with interesting long-term opportunities.

Oil prices trended lower throughout 2025, mainly due to expectations of potential output increases by OPEC+ countries. According to the International Energy Agency, a global surplus of around four million barrels per day is forecast for 2026 – which would be the largest production surplus in the history of the oil sector. Accordingly, we expect oil prices to stabilise at low levels, at least keeping energy and transport costs from rising. Over the medium term, persistent oversupply could exert further downward pressure on prices. In the short term, geopolitical factors may give rise to volatility – for example, the risk of conflict inside and/or with Iran or Libya, Russia's ability to export oil, and recent tensions between the US and Venezuela. Even in the event of further escalation, Venezuela's importance as an oil producer would not be sufficient to drive up prices significantly for any sustained period.

For gold, by contrast, we see further upside potential in 2026, even after its rally in 2025. We expect strong demand, particularly from central banks. Investors may also turn increasingly to gold as lower yields on short-dated bonds reduce the opportunity costs of holding gold.



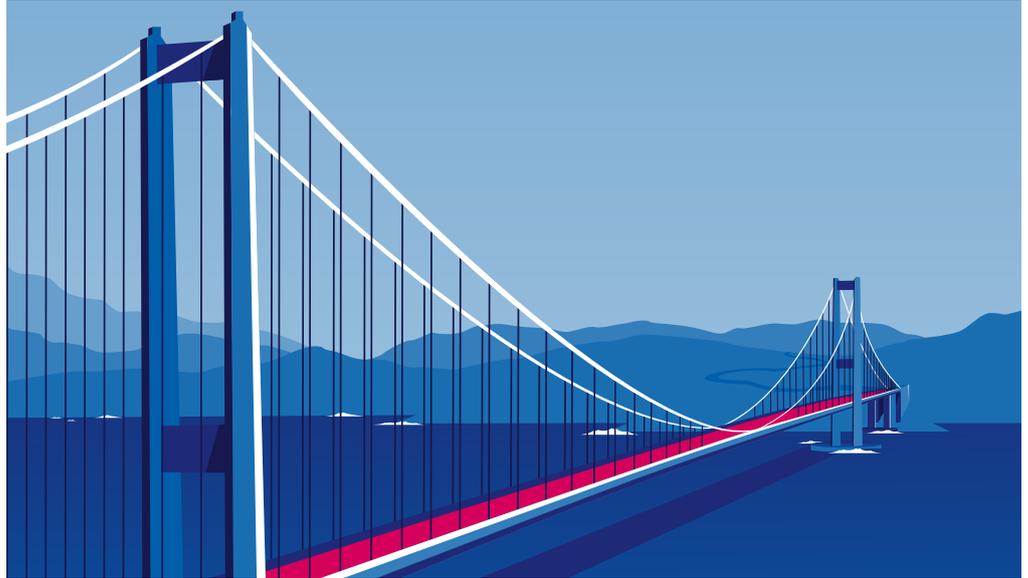
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9

Alternatives – Evolution and resilience

- New regulatory frameworks simplify access to alternative investments.
- Alternatives provide additional opportunities for portfolio diversification.
- Infrastructure investments remain an obvious focus.



Selecting an alternative investment requires comprehensive fundamental analysis.

Alternative investments have now established themselves as a vehicle that is also available to private investors, providing opportunities outside publicly accessible asset classes such as equities or bonds. They enable additional portfolio diversification, for example through exposure to companies or sectors that are underrepresented in public markets and provide potential for improvement. Thanks to new, more robust and investor-friendly regulatory frameworks in a number of regions, access to alternative investments has recently been simplified further. Against the backdrop of increased capital market activity, we see particularly attractive opportunities in private equity, infrastructure and private credit for the investment year 2026 – with a wide range of risk-return profiles. It is important to note that investing in private markets can be riskier than investing in public markets and, due to lower transparency – for instance in pricing processes – can also be less predictable. Selecting a potential investment therefore requires comprehensive fundamental analysis.

In private equity, value creation typically results from increasing the worth of the target company to achieve a higher subsequent sale price. This can be done via international expansion or targeted acquisitions. The focus is on small and medium-sized private companies that are not listed on stock exchanges. In Germany alone, 96% of all companies meet these criteria; in the US, the figure is 90%. Investing in this segment enables investors to broaden their exposure, for example to sectors that have underperformed in public markets.

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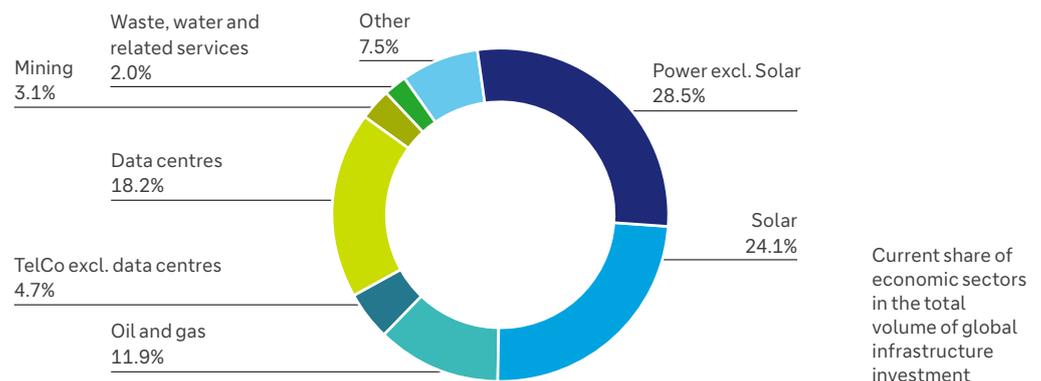


Moderate volatility and potential for stable returns: infrastructure investments can enhance portfolio diversification.

In recent months, Europe has seen a marked recovery in the private equity market, with the share of US investors rising to nearly 50%. This can be interpreted as a sign of international confidence in the European private market. After a 10% increase in transactions in 2025, we expect this trend to continue in 2026.

Our current focus also includes infrastructure – investments in physical assets ranging from energy and transport to social infrastructure. These can enhance portfolio diversification, as they often exhibit moderate volatility and offer potential for stable returns, for example through long-term contracts or high barriers to market entry. Investors should, however, consider project and development risks, such as the possibility of projects being unprofitable. The need for infrastructure investment will remain substantial for the foreseeable future. While Germany’s recently approved EUR500bn special fund is focused on transport, energy and sustainable transformation, global investment demand is being driven by AI. In addition to public-sector investment, private capital providers and companies to implement these projects are also required.

Energy and data centres: Investments in key infrastructure



Source: LSEG Workspace, Deutsche Bank AG. Data as of November 20, 2025.

Private credit involves specialised financial investors providing loans directly to companies, for example to finance growth or acquisitions. This asset class has experienced particularly strong growth in recent years. We expect further growth in the coming years, albeit at a slower pace than in previous years. The variable interest rates of many private credit investments can help offset inflation effects and enable investors to benefit from rising interest rates. However, investors are also exposed to an increased risk of loss if, for example, the borrower fails to repay the loan as agreed.

We generally recommend focusing less on return expectations and more on the various opportunities that alternative investments offer for portfolio diversification and strategy stabilisation.

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10

Investment strategy – Beyond the benchmark

- Diversification and active risk management remain core elements.
- Beyond traditional liquid markets, alternative investments may also be appropriate.
- Investors should adapt their strategy dynamically to changing conditions.

The primary determinant of the longer-term success of an investment is the strategy employed by the investor. A core element of that strategy is diversification, traditionally achieved via the stocks and bonds of large companies as well as government bonds. These liquid markets remain the benchmark for investing – potentially complemented by gold as a hedge. Yet beyond this standard approach, investors have access to a wide range of additional opportunities that can place their asset allocation on a more robust footing.

This continually increasing number of investment opportunities presents investors with a challenge: selecting those investments that align with their personal strategy. In an increasingly uncertain world, this task is becoming ever more complex as conditions are constantly shifting. 2026 will probably be no exception.

Many investors attempt to forecast future returns using probabilities, for example with CAPE – the cyclically adjusted price-to-earnings ratio. CAPE measures the relationship between a stock's current price and its inflation-adjusted average earnings over the past ten years. If CAPE is below its long-term average, the stock is considered a buying opportunity – and vice versa. CAPE often underpins the so-called mean-reversion strategy, which involves buying supposedly undervalued stocks and selling them once they revert to their historical averages. However, the assumption that valuations will eventually return to their mean is overly simplistic and fraught with uncertainty. For example, not only can global conditions change permanently, earnings per share expectations can also shift – both upwards and downwards.

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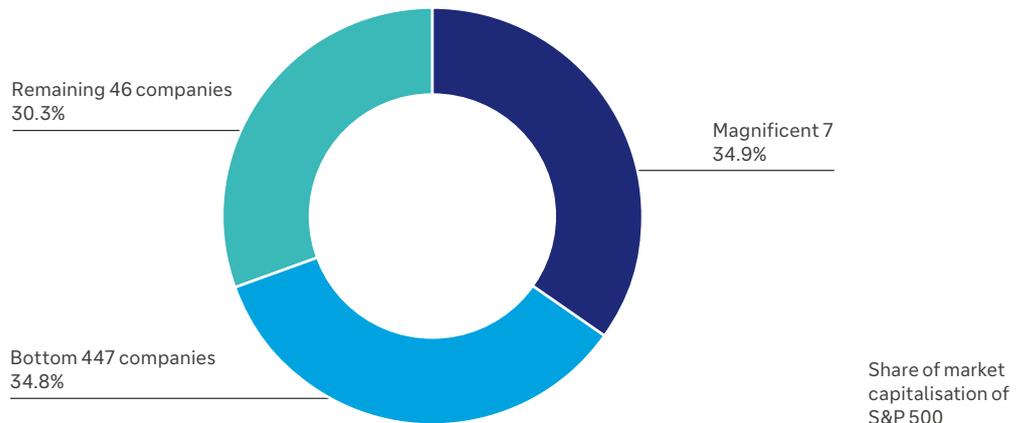
Investing is not about avoiding risk altogether, but about identifying, assessing and consciously accepting it.

For a successful long-term investment strategy, it is more effective to manage risks actively rather than to rely on probabilities. To achieve interesting returns, investors must inevitably take on risk. Using the risk-free rate as a baseline – the reference rate for an investment considered to be riskless – any return above that requires accepting a correspondingly higher risk. Investing is therefore not about avoiding risk altogether, but about identifying, assessing and consciously accepting it.

In 2026, investors should consider the multitude of political and economic challenges within a diversified mix of asset classes, sectors, investment styles and vehicles. Beyond liquid benchmark markets, alternative investments have become a core component of strategic asset allocation to increase portfolio diversification. In equities, sectors that have underperformed in the past may come back into focus through sector rotation. Small caps – shares in smaller companies – and long-term themes such as demographics (healthcare) or renewable energy also offer potential.

Investors should ensure they adapt their strategy dynamically to changing conditions – and stay invested. Waiting for the perfect re-entry point usually costs returns, as the days with the strongest upward moves are often missed.

S&P 500: Concentration instead of diversification – the power of the few



Source: LSEG Datastream, Deutsche Bank AG. Data as of November 14, 2025.

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Appendix

Macroeconomic forecasts

	2025	2026	Consensus 2026 (BBG ¹)
GDP growth rate (%)			
US ²	1.9	2.1	1.8
Eurozone	1.4	1.1	1.1
Germany	0.3	1.2	1.0
France	0.8	1.0	0.9
Italy	0.6	0.8	0.7
Spain	2.9	2.2	2.1
Japan	1.2	0.7	0.7
China	5.0	4.5	4.3
World	3.2	3.1	2.9
Consumer price inflation (%)			
US	2.8	2.9	2.9
Eurozone	2.1	2.0	1.8
Germany	2.3	2.1	2.0
Japan	3.1	2.0	1.8
China	0.0	0.8	0.8
Unemployment rate (%)			
US	4.4	4.6	4.4
Eurozone	6.4	6.3	6.3
Germany	6.3	6.0	6.3
Japan	2.4	2.4	2.4
China ³	5.2	5.1	5.1
Fiscal balance (% of GDP)			
US	-6.4	-6.6	-6.3
Eurozone	-3.4	-3.8	-3.4
Germany	-2.5	-3.6	-3.5
Japan	-3.5	-3.0	-3.3
China ⁴	-8.6	-8.5	-5.7

¹ Bloomberg consensus.

² For the US, GDP growth Q4/Q4 is 1.6 % in 2025 and 2.1 % in 2026.

³ Urban unemployment rate (end of period), not comparable to consensus data.

⁴ China fiscal deficit refers to IMF general public sector deficit, it is not comparable with the consensus.

Source: Deutsche Bank AG, Bloomberg Finance L.P. Data as of November 20, 2025.

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Appendix

Asset class forecasts for December 2026

Sovereign bond yields (%)

United States (2-year US Treasury)	3.50
United States (10-year US Treasury)	4.15
United States (30-year US Treasury)	4.65
Germany (2-year German Bund)	2.00
Germany (10-year German Bund)	2.70
Germany (30-year German Bund)	3.40
United Kingdom (10-Year UK Government)	4.20
Japan (2-Year Japan Government)	1.20
Japan (10-Year Japan Government)	1.90

Benchmark rates (%)

United States (federal funds rate)	3.00-3.25
Eurozone (deposit rate)	2.00
United Kingdom (repo rate)	3.50
Japan (policy rate)	1.00
China (1-year lending rate)	2.80

Currencies

EUR vs. USD	1.15
USD vs. JPY	145
EUR vs. JPY	167
EUR vs. CHF	0.94
EUR vs. GBP	0.85
GBP vs. USD	1.35
USD vs. CNY	7.15

Equity indices

United States (S&P 500)	7,500
Germany (DAX)	26,100
Eurozone (EURO STOXX 50)	5,950
Europe (STOXX Europe 600)	600
Japan (MSCI Japan)	2,200
Switzerland (SMI)	13,100
United Kingdom (FTSE 100)	10,100
Emerging Markets (MSCI EM)	1,480
Asia ex Japan (MSCI Asia ex Japan)	970

Commodities (USD)

Gold (oz)	4,500
Crude Oil (Brent Spot, bbl)	60
Copper (t)	10,850
EU Carbon Allowances (Carbon Spot, t)	88

Corporate & EM bond spreads (bps)

EUR IG Corp	85
EUR HY	320
USD IG Corp	85
USD HY	300
Asia Credit	130
EM Sovereign	300

Source: Deutsche Bank AG, Bloomberg Finance L.P.
Data as of November 20, 2025.

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Appendix

Historical performance

	01.12.2020 - 01.12.2021	01.12.2021- 01.12.2022	01.12.2022- 01.12.2023	01.12.2023 - 01.12.2024	01.12.2024 - 01.12.2025
Performance					
S&P 500	23.2%	-9.7%	12.7%	31.3%	12.9%
STOXX Europe 600	20.1%	-5.7%	5.0%	9.4%	12.7%
MSCI EM	0.2%	-20.3%	0.4%	9.8%	26.9%
EURO STOXX 50	18.5%	-4.7%	10.9%	8.7%	18.0%
SMI	17.4%	-8.4%	-3.1%	8.1%	9.2%
DAX	15.6%	-6.3%	13.2%	19.7%	20.2%
FTSE 100	12.3%	5.4%	-0.4%	10.1%	17.1%
MSCI Japan	10.9%	1.5%	20.1%	12.7%	24.2%
MSCI Asia ex Japan	-0.7%	-17.4%	-2.6%	14.6%	22.0%
2-Year US Treasury	-0.2%	-3.6%	3.1%	4.7%	4.9%
10-Year US Treasury	-2.0%	-15.3%	-1.7%	4.2%	5.5%
30-Year US Treasury	-1.0%	-32.2%	-8.8%	4.6%	-1.5%
2-Year German Bund	-0.7%	-3.7%	1.6%	2.9%	1.6%
10-Year German Bund	-1.3%	-16.8%	-1.7%	4.9%	-2.6%
30-Year German Bund	-1.2%	-38.0%	-22.0%	7.9%	-16.8%
10-Year UK Government	-3.0%	-16.3%	-5.3%	4.3%	3.2%
2-Year Japan Government	-0.1%	-0.2%	0.1%	-0.6%	0.3%
10-Year Japan Government	0.1%	-1.0%	-0.5%	-1.3%	-4.9%
EUR vs. USD	-5.8%	-7.5%	3.3%	-2.5%	10.1%
USD vs. JPY	8.1%	20.0%	8.5%	2.0%	3.8%
EUR vs. JPY	1.8%	11.3%	12.2%	-0.9%	13.7%
EUR vs. CHF	-3.8%	-5.5%	-4.0%	-1.6%	0.3%
EUR vs. GBP	5.5%	-0.8%	0.4%	3.1%	-5.5%
GBP vs. USD	-1.0%	-7.7%	3.6%	0.3%	3.7%
USD vs. CNY	-2.7%	10.5%	1.2%	1.8%	-2.4%
Gold (oz)	-1.3%	0.7%	14.2%	29.3%	59.3%
Crude Oil (Brent Spot, bbl)	45.2%	26.2%	-9.2%	-7.5%	-13.4%
Copper (t)	23.5%	-12.4%	2.7%	4.1%	27.3%

Source: Deutsche Bank AG, Bloomberg Finance L.P. Data as of December 1, 2025.

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Asia-Pacific Economic Cooperation (APEC) is an international forum consisting of 21 countries in the Asia-Pacific region. Its main goal is to improve trade relations in the region.

The Bank of Japan (BoJ) is the central bank of Japan.

Brent is a grade of crude oil used as a benchmark in oil pricing.

The **Bretton Woods system** is the name given to the international monetary order that was created in 1944, establishing institutions such as the International Monetary Fund and initially involving managing currencies at near-fixed rates against the USD and conversion of the USD into gold at a given price.

Bunds are longer-term bonds issued by the German government.

CHF is the currency code for the Swiss franc.

CNY is the currency code for the Chinese yuan.

The **consumer price index (CPI)** measures the price of a basket of products and services that is based on the typical consumption of a private household.

The **DAX** is a blue-chip stock-market index consisting of the 40 major German companies trading on the Frankfurt Stock Exchange; other DAX indices include a wider range of firms.

Earnings per share (EPS) are calculated as a company's net income minus dividends of preferred stock all divided by the total number of shares outstanding.

An **emerging market (EM)** economy has some characteristics of a developed market in terms of market efficiency, liquidity and other factors, but does not meet all developed market criteria.

EUR is the currency code for the euro, the currency of the Eurozone.

The **European Central Bank (ECB)** is the central bank for the Eurozone.

The **European Union (EU)** is a political and economic union of 27 European states. Within it, the Eurozone is formed of 20 of these states that have adopted the euro as their common currency and sole legal tender.

The **EURO STOXX 50** Index tracks the performance of blue-chip stocks in the Eurozone and includes the super-sector leaders in terms of market capitalisation.

The **Eurozone** is formed of 20 European Union member states that have adopted the euro as their common currency and sole legal tender.

The **Federal Reserve (Fed)** is the central bank of the United States. Its Federal Open Market Committee (FOMC) meets to determine interest rate policy.

Foreign direct investment (FDI) involves a foreign entity taking a substantial stake in a local company, usually with the intention of establishing a degree of control over its operations.

The **FTSE 100** Index tracks the performance of the 100 major companies trading on the London Stock Exchange.

The **G20** is an international forum of the governments and central bank governors of 19 individual countries – Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom and the United States – along with the European Union (EU).

GBP is the currency code for the British pound/sterling.

Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

High yield (HY) bonds are high-yielding bonds with a lower credit rating than investment grade corporate bonds.

Idiosyncratic risk – also known as unsystematic risk or specific risk – refers to the risk that is unique to a particular asset, company, sector, or investment. Unlike systematic risk, which affects the entire market or a broad asset class, idiosyn-

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Glossary

cratic risk arises from factors that impact only a single company or a narrow group of assets.

The **International Energy Agency (IEA)** is an intergovernmental agency studying energy-related issues.

An **inverted (yield) curve** occurs when longer-term bonds have a lower yield than shorter-term bonds. A **flattening yield curve** is when the difference in yields between higher and shorter-term bonds narrows.

An **investment grade (IG)** rating by a rating agency such as Standard & Poor's indicates that a bond is seen as having a relatively low risk of default.

JPY is the currency code for the Japanese yen.

The "**Magnificent 7**" is a term used to refer to the seven dominant US technology companies.

The **Mar-a-Lago Accord** is a proposed economic and trade initiative associated with the Trump administration in the US which would involve the restructuring of global trade and monetary relations, with the aim of reducing the US trade deficit and reviving domestic manufacturing.

The **McKinsey Global Institute** is the business and economics research institute of the strategy consulting company McKinsey & Company.

Monetary normalisation (in a Japanese context) refers to the Bank of Japan (BoJ) gradually moving away from its long-standing ultra-loose monetary policies towards a more conventional policy stance.

The **MSCI Asia ex Japan** Index captures large- and mid-cap representation across 2 of 3 developed-market countries (excluding Japan) and 8 emerging-market countries in Asia.

The **MSCI Emerging Markets** Index is a free float adjusted market capitalisation index that is designed to measure the equity market performance of emerging markets. It consists of 23 emerging market country indices.

The **MSCI Japan** Index measures the performance of around 323 large and mid-cap stocks drawn accounting for about 85% of Japanese market capitalization.

The **One Big Beautiful Bill Act (OBBBA)**, or the Big Beautiful Bill, is a budget reconciliation bill passed by the 119th US Congress containing tax and spending regulations that are a centrepiece of President Trump's second-term agenda.

The **Organization of the Petroleum Exporting Countries (OPEC)** is an international organization with a mandate to "coordinate and unify the petroleum policies" of its 12 members. The so-called "**OPEC+**" brings in Russia and other producers.

The **People's Bank of China (PBoC)** is the central bank of the People's Republic of China.

Rare earths are a group of 17 metals that are crucial elements in the manufacturing of electric cars, smartphones, missiles and military gear, wind turbines, AI chips, and electronics.

The **Reserve Bank of India (RBI)** is India's central bank and regulatory body under the jurisdiction of the Government of India.

Return on equity (RoE) measures a company's financial performance by dividing net income by shareholders' equity.

The **S&P 500** Index includes 500 leading US companies that account for approximately 80% of available US market capitalisation.

Sovereign debt refers to debt owed by a national government, raised either through bonds or bills or loans from multilateral agencies.

A **spread** is the difference in the quoted return on two investments, most commonly used in comparing bond yields.

The **STOXX Europe 600** comprises 600 companies from 17 European industrialized countries.

The **Swiss Market Index (SMI)** includes 20 large and mid-cap stocks.

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Takaichinomics refers to the economic policy approach introduced by Japan's new prime minister Sanae Takaichi, which blends fiscal stimulus, targeted investment and a range of reforms.

Tariff truce refers to a temporary agreement between countries – most notably the US and China – to pause or partially reverse a preceding escalation of import tariffs.

Total return brings together the different potential sources of return on an investment, including (where applicable) both capital appreciation and income generated (e.g. via interest or dividend payments) over a specific period.

Treasuries are bonds issued by the US government.

USD is the currency code for the US dollar.

Volatility is the degree of variation of a trading-price series over time.

A **yield curve** shows the different yields for bonds of varying maturities but the same credit quality.



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Publication date: December 4, 2025.

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