

Q3 Snapshot

This is a summary of our House View Q3 2026

The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. We assume no obligation to update any forward-looking statement.

HouseView

What's our outlook for Q3?

The global economy is bending under successive shocks, but not breaking.

An energy supply shock has driven inflation up, **pushing central banks to pause rate cuts**. Economic growth is bearing up, but risks are looming.

Gaps between regions and asset prices seem to be widening. The US is performing better than most, while Europe and parts of Asia are more exposed to rising energy costs.

Higher-for-longer interest rates are favouring **value, income and quality investments**. In this environment, simply tracking the market is unlikely to be enough – **being selective is critical**.

There's a wide range of possible outcomes, so staying flexible and making targeted choices matters. **But our base case scenario is resilience.**



AI spend in context

US investment in tech has surpassed the dot-com boom, relative to the size of the economy. As more businesses join in the expansion, picking the winners of tomorrow becomes harder – but potentially more rewarding.

5%¹

US IT investment in terms of GDP – a level not seen since the dot-com era

¹ Source: Bloomberg, AllianzGI Economics & Strategy (data as at May 2026).

What's our regional outlook?

US: resilience under pressure

AI and tech investment is now driving more US growth than even during the late-1990s boom.

The new Federal Reserve Chair is unlikely to cut rates while the economy stays strong.

Inflation is still too high for quick rate cuts, so the Fed is likely to stay cautious for now.

Europe: energy exposure

German stimulus and higher defence spending may help the euro zone avoid recession.

But relying on imported energy, with little AI investment, leaves the euro zone and UK exposed to rising energy costs.

The European Central Bank looks set to raise rates by a further 0.25 percentage points by September.

Asia: AI dividends

China's growth is expected to slow after an early burst of fiscal stimulus.

Taiwan and South Korea are benefiting from strong demand for components tied to AI investment.

Japan's central bank is likely to raise rates gradually – by around 0.5 percentage points this year.

4%¹

¹ Data: Bloomberg as at 21 May 2026.

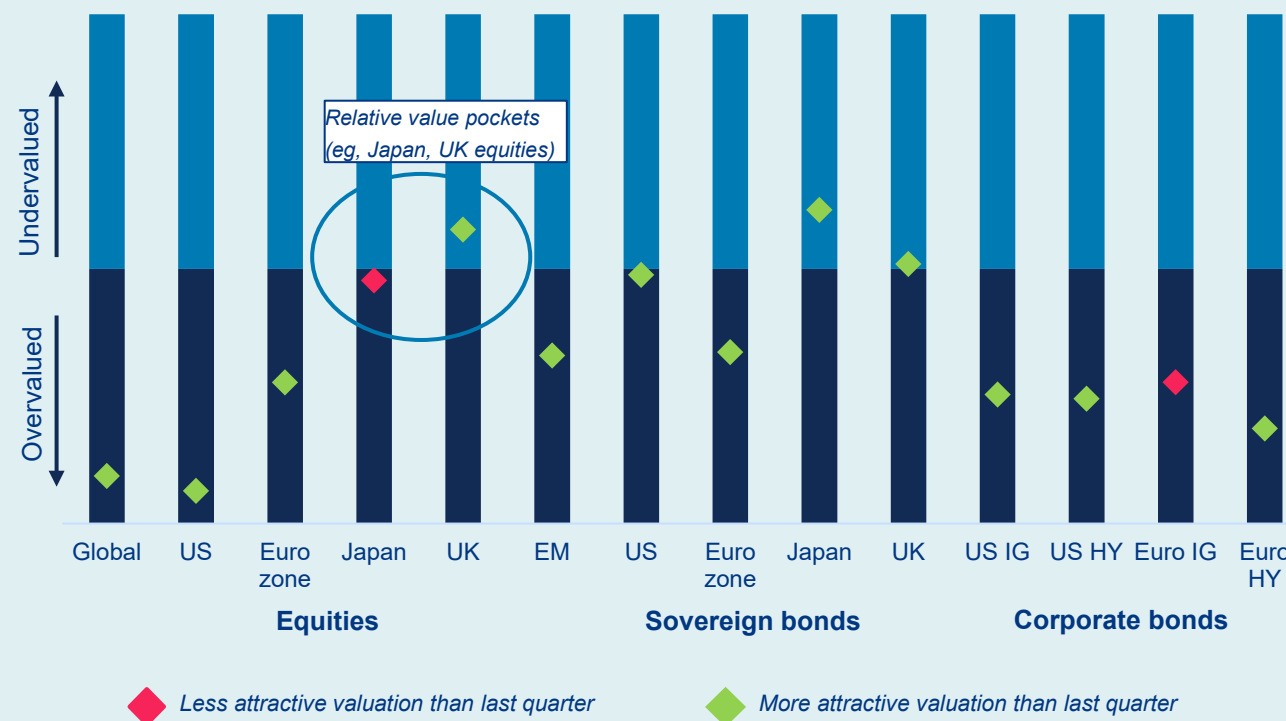
Consensus expectation for global inflation in 2026

Where do we see value?

Bond and stock valuations fall

- Valuations in our analysis mostly fell in the past three months due to fears over the Middle East conflict and rising inflation – leaving around a third of assets at fair value or undervalued.
- The repricing may create opportunities – particularly for investors able to spot subtle shifts and ride longer-term trends like AI.
- Japan and the UK stand out as the cheapest equity markets, with government bonds from both countries – and the US – also offering the best value by our measures.

About a third of assets are now near or below fair value – according to our analysis



Valuation score = current score relative to historical distribution of scores. Equity valuation based on Shiller-PE, price/book, 12-month forward PE. Sovereign valuation based on 10-year real interest rate and term premium. Corporate bond valuation based on implicit default probability and respective sovereign valuation. Source: Allianz Global Investors Global Economics & Strategy, Bloomberg, Datastream (data as at 31 May 2026). Past performance does not predict future returns. The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. We assume no obligation to update any forward-looking statement. Valuations are based on the latest assumptions about the economic growth outlook.

Where are the potential investment opportunities?

Equities

- AI infrastructure is evolving **from training to deployment**, broadening demand across semiconductors, data centres and related technologies.
- **Value stocks are gaining appeal** as volatility and higher interest rates push investors toward fundamentals.
- Strategic autonomy is rising globally, reflected in **increased government spending** on defence and energy.
- In Asia, equities look well-placed, with China notable for **rapid, economy-wide AI adoption**.

Fixed Income

- With uncertainty high, **picking the right securities** matters more than tracking the market. Bond yields have risen but credit markets haven't fully adjusted, **favouring a multi-sector approach tilted towards credit**.
- In emerging markets, **oil exporters look more attractive than importers**. The **Chinese renminbi could be a useful diversifier** against the US dollar.
- In credit, **financials and consumer staples are preferred**, with a bias towards investment grade.

Multi Asset

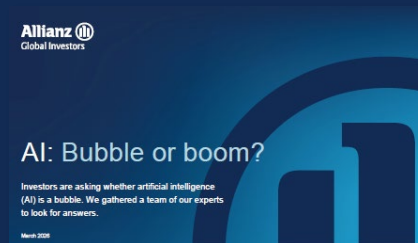
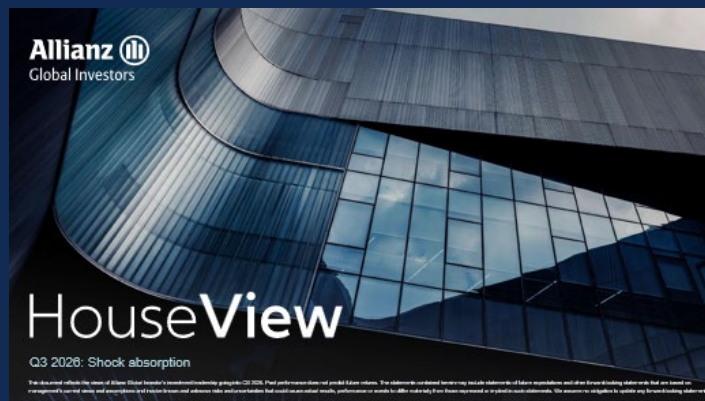
- Equities look attractive – **particularly US and emerging markets** over Europe and Japan.
- AI is driving **emerging market performance** – watch for concentration risk.
- In bonds, we see value in **emerging market debt** and **investment-grade US and European credit**.
- **Gold looks attractive** as questions around central bank independence and dollar confidence persist. **Commodities may be a useful way to diversify**.

Private Markets

- Higher rates, tighter bank regulation and wider spreads create **opportunities for private assets** but a focus on fundamentals is key.
- **Diversification across strategies, vintages and geographies** remains essential. **Selectivity is growing in importance** as asset and manager dispersion widens.
- **Infrastructure demand** will be driven by energy security, digitalisation and decarbonisation, while **secondaries and private credit remain compelling**.

Discover more insights

Read the full-length version of our House View Q3 2026



AI: Bubble or boom?



Beyond the headlines: how investors assess company controversies



AI disruption: a credit investor's perspective



Private Credit - Investors are turning to Europe



When calm no longer means safe: navigating a new volatility regime



China in 2026: five factors behind a resilient outlook



Fibre, power and data centres: Europe's digital autonomy imperative



Diversification in the age of AI: a practical toolkit

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Past performance does not predict future returns. If the currency in which the past performance is displayed differs from the currency of the country in which the investor resides, then the investor should be aware that due to the exchange rate fluctuations the performance shown may be higher or lower if converted into the investor's local currency.

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