

GLOBAL EQUITY PERSPECTIVES

27 MARCH 2026

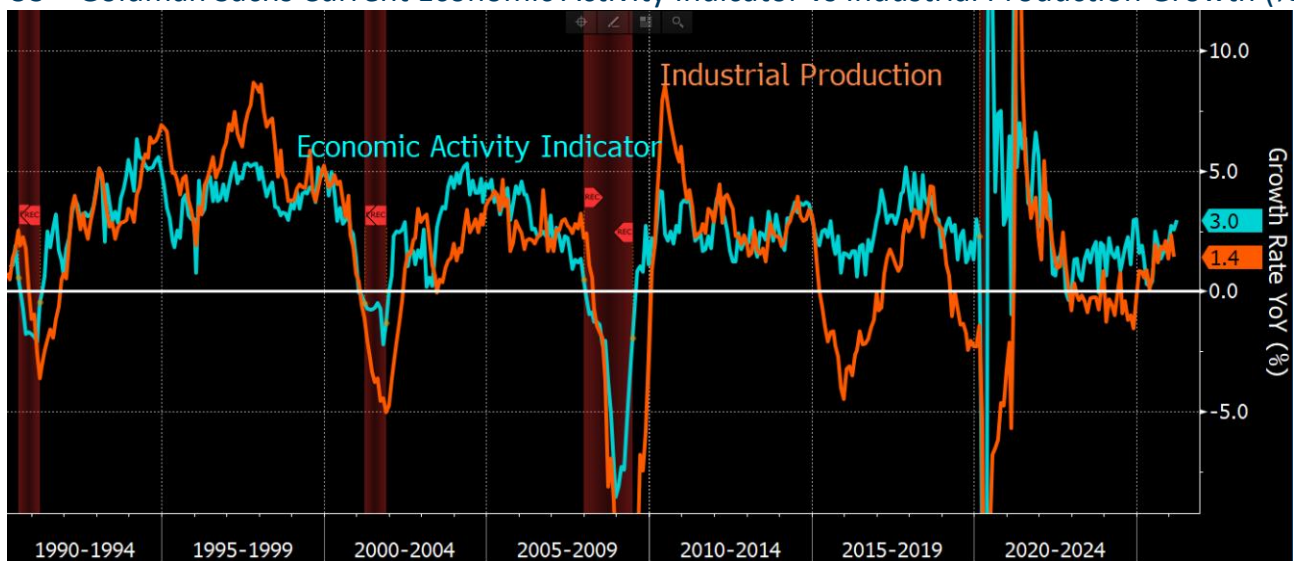
"It is better to be an optimist who is sometimes wrong than a pessimist who is always right."

Mark Twain

1. US ECONOMY

Indications are that the US economy remains resilient:

US – Goldman Sachs Current Economic Activity Indicator vs Industrial Production Growth (%)



The current Economic Activity Indicator (the blue line) is in a rising trend, and is currently at +3.0%. The trend in Industrial Production (the orange line), which has been rising since the beginning of this year, is also constructive, correlating closely with the Activity Indicator.

US – Consumption Growth vs Services PMI



The Services PMI (the blue line), which reflects the vast portion of the US economy, continues its sharp recovery and is currently above its long-term average level. Despite weak consumer confidence, consumption growth at +5.3% (the yellow line) remains healthy, and on its long-term average. This overall picture is a positive backdrop for US businesses to continue delivering solid profits.

2. MACRO EARNINGS BACKDROP

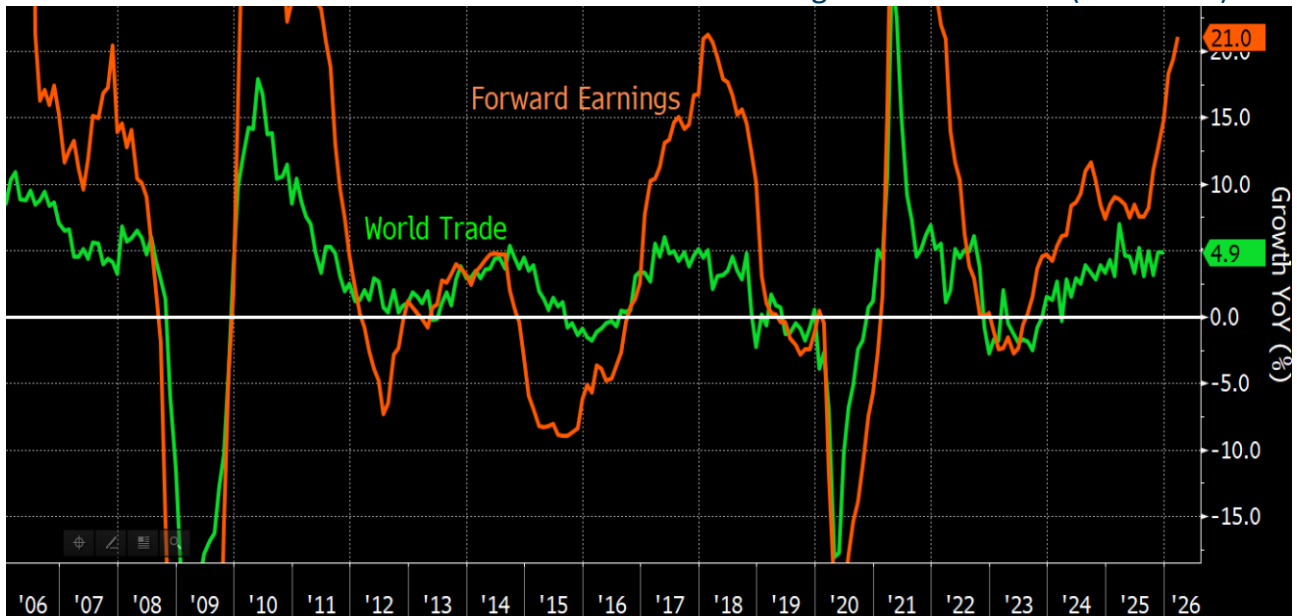
The recently completed 2025 US earnings season delivered a strong result with S&P 500 Revenue +7% and Earnings +12%. Despite this high base, the outlook also seems constructive. The following charts reflect on this outlook against the macro global trade backdrop:

S&P 500 Consensus 12-Month Forward Earnings vs South Korea Exports (Growth %)



South Korea is one of the most export-driven economies, with China and the US its main trading partners (20% and 19% respectively of its exports). Because of the nature of its exports (predominantly high-value industrial goods), they are a good indicator of US economic activity and business earnings outlook. Those exports (the yellow line) are currently growing at an elevated level, supporting the S&P earnings outlook of a strong +21% (the blue line).

MSCI World AC Consensus 12-Month Forward Earnings vs World Trade (Growth %)

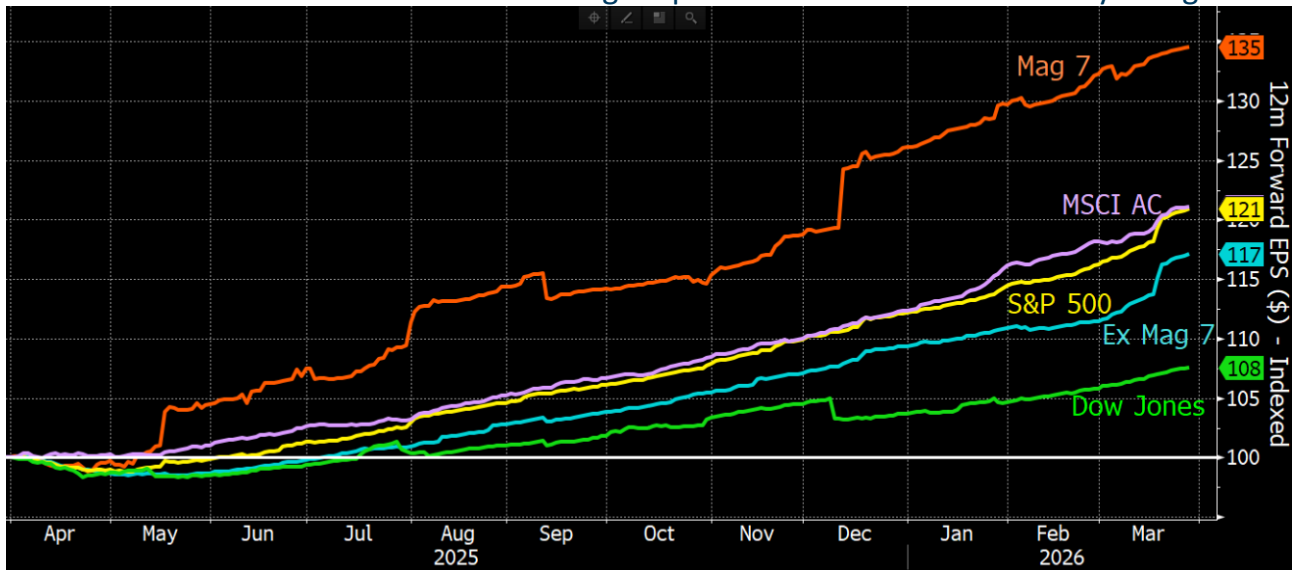


Logically, world trade is a good indicator of global economic growth and therefore the economic health of global businesses. These exports have been growing since 2024 (the green line) and are currently at a level of +5%. This growth level compares favourably with historic norms and is supportive of earnings growth (the orange line). The 12-month expected earnings growth of +21% is clearly a strong number, and is on an equal footing with consensus expectations for the S&P 500 Index.

3. VALUATION MULTIPLES

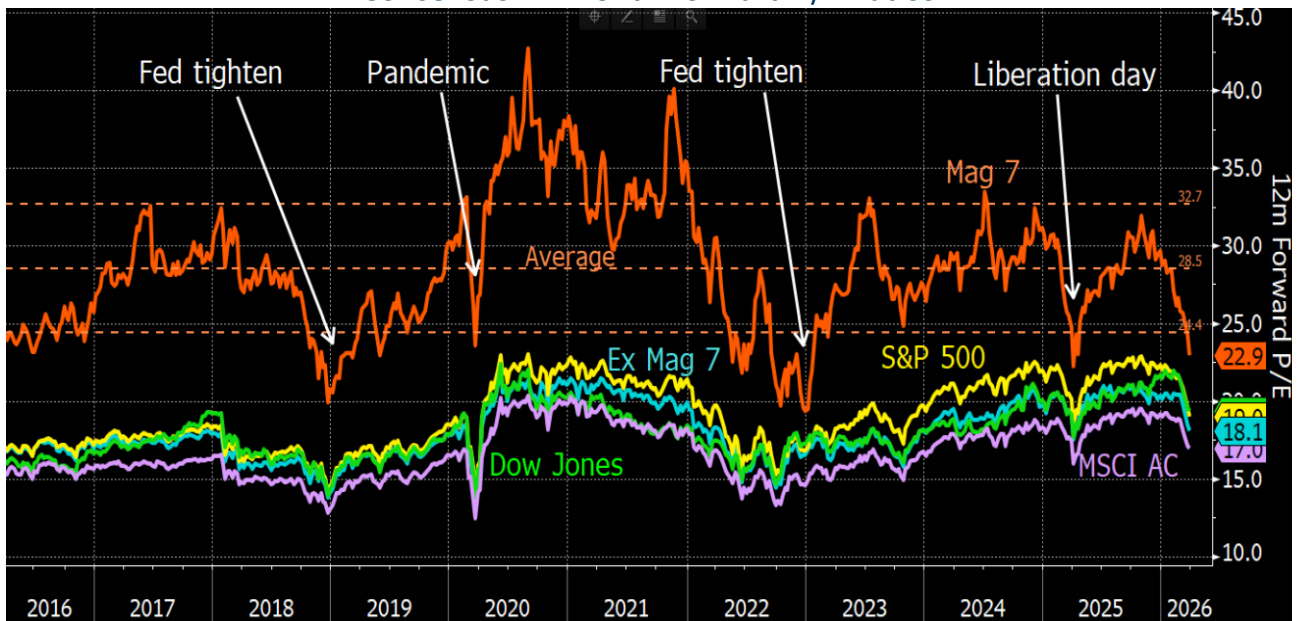
We consider the earnings outlook for the main indices that global investors consider:

Consensus 12-Month Forward Earnings Expectations – Indexed to 100 a year ago



Earnings expectations for all the major indices in the above chart keep rising. Strikingly, the Magnificent Seven Index is expected to grow earnings at +35% (the orange line), with the Nasdaq-100 Index at +36% (not shown). Along with the point that expectations for the MSCI World Index earnings growth matching those of the S&P 500 (+21%), it is also of value to see earnings expectations for the Non-Magnificent Seven portion of the S&P 500 (the blue line) also expected to grow strongly at +17%. Saying this, expectations for Dow Jones earnings growth remain muted (+8%, the green line).

Consensus 12-Month Forward P/E Ratios



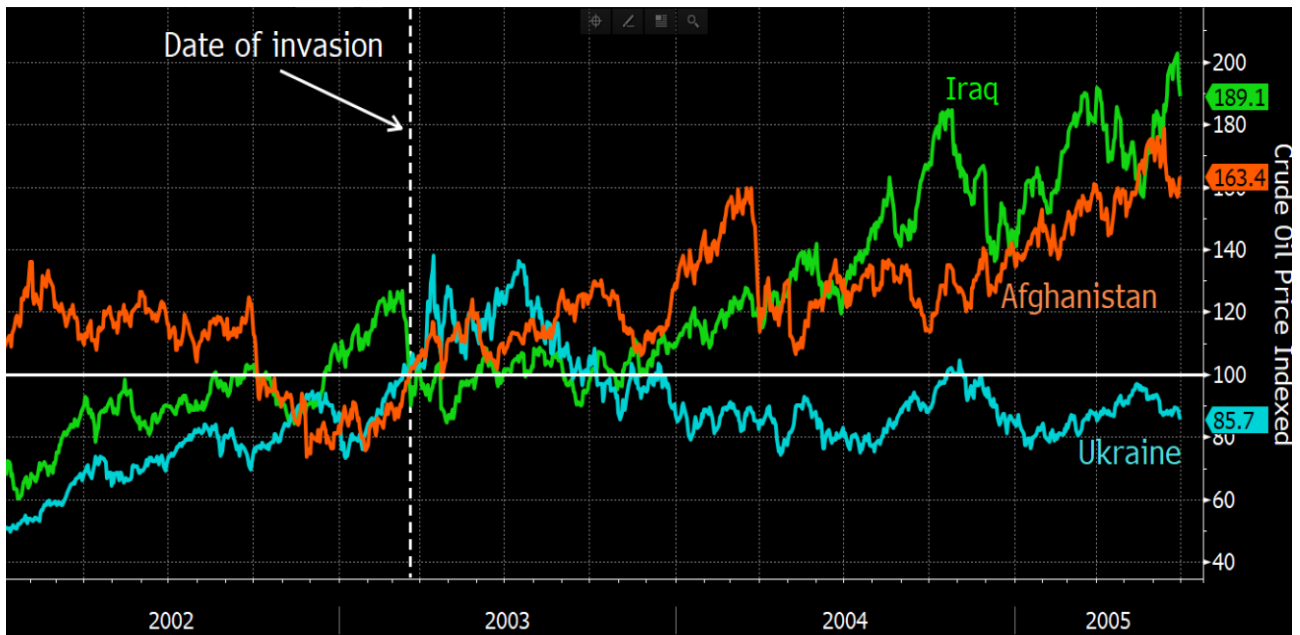
The above chart reflects the Forward P/E valuation multiples for these main indices over ten years. Strikingly, the MSCI World's multiple is currently below the S&P 500 ex the Magnificent Seven's multiple, with the former having material Technology exposure and a better earnings outlook. The main point to make here is that the Magnificent Seven's multiple is currently below its -1-standard deviation (the orange line). We indicate on the chart the causes behind similarly low valuations historically. As is currently the case, they predominantly had to do with inflation and therefore interest rate concerns. All of the indicated events offered good buying opportunities at the time.

The consensus bottom-up valuation of the S&P 500 implies +30% upside and +44% for the Magnificent Seven.

4. INFLATION RISK

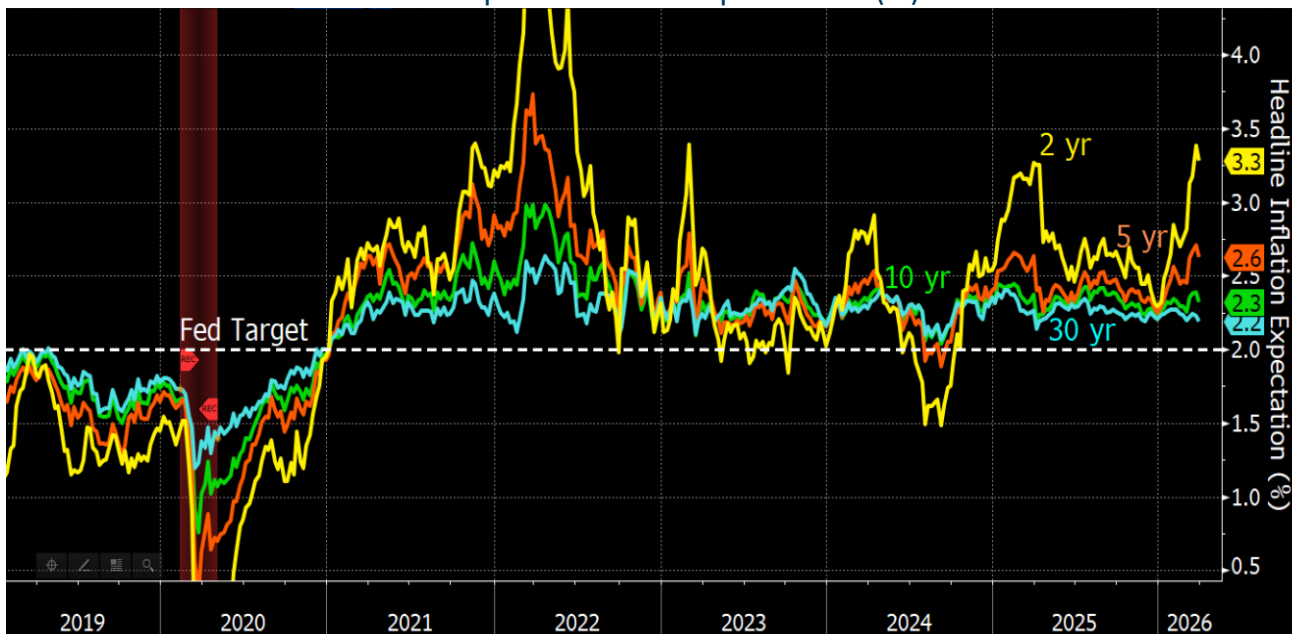
Logically, current market circumstances are dominated by the oil price developments around the Iran war and the blockage of the Strait of Hormuz with fears of severe inflation and the knock on effects on interest rates.

Oil Price Indexed to 100 on Day of Invasion



The current oil price is +49% higher than the day before the first bombing of Iran. Considering the earlier wars with these types of risks, this reaction is worse than any of the Afghanistan, Iraq or the Ukraine invasions with no clear solution in sight. It is, therefore, understandable that the market has reacted so negatively.

US – Implied Inflation Expectations (%)



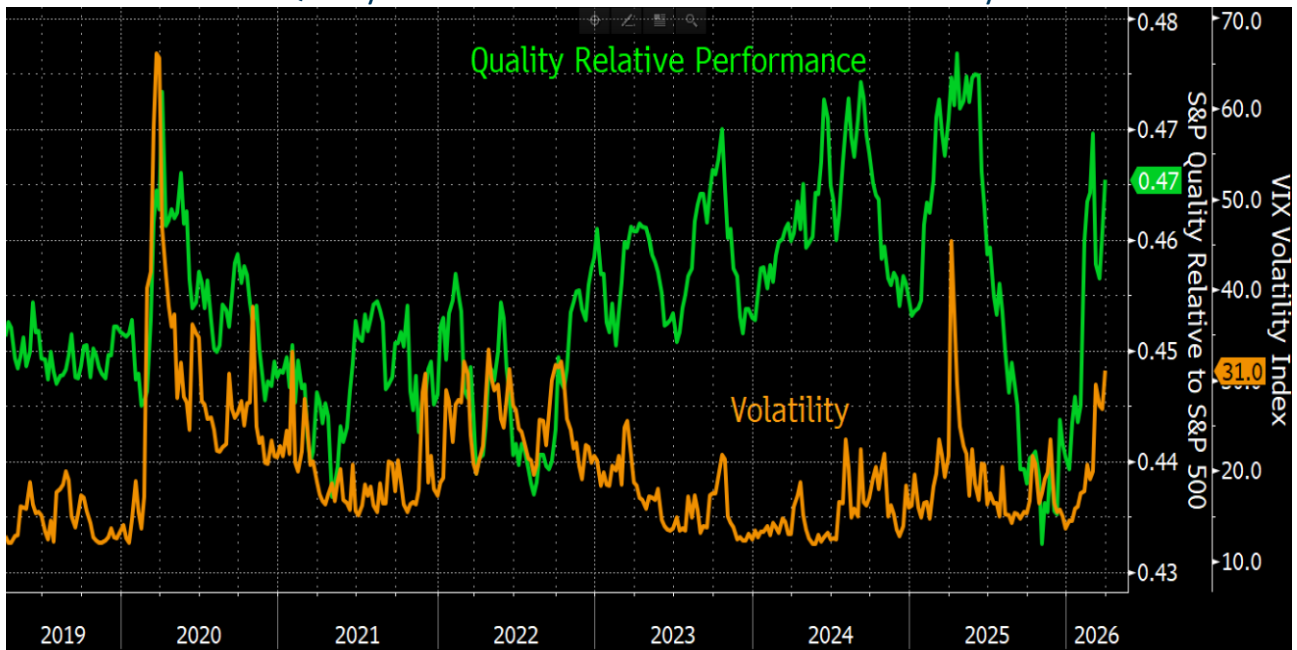
The above chart shows the implied US inflation expectations after 2, 5, 10 and 30 years, with the current level at 2.4%. Logically, the shorter term expected effects are the worst, with very little change in expectations over the longer term.

Spikes in short-term inflation expectations have historically often been associated with good equity investing opportunities. That could only be the case because inflation remained under control subsequently. We have a similar opinion on the current market circumstance.

5. VOLATILITY

The current market volatility prompts us to consider again its historic implications.

S&P Quality Index Relative to S&P Index vs VIX Volatility Index



The circumstances for Quality to outperform the overall market have more to do with fundamental than tactical factors. As a reminder, and as we have shown in a previous note, Quality outperforms materially over time, and usually underperforms only in a single year (not in successive years). It did underperform last year.

As the above chart illustrates, Quality often also outperforms in periods of high stock market volatility (the orange line in the above chart). This outperformance is happening again this year with the high volatility.

S&P 500 vs VIX Volatility Index and RSI Overbought / Oversold Index

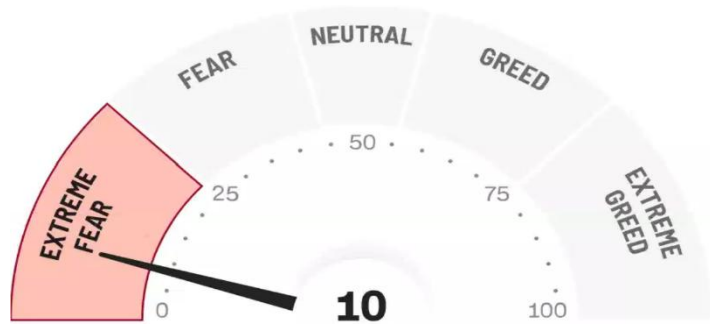


High volatility often goes in hand with lower stock prices and buying opportunities. As reflected in the above chart, stock market bottoms (the red circles) have often been associated with the VIX Volatility Index crossing its +2 standard deviation levels (the respective white circles at the top end of the chart). Those opportunities have also been indicated by the RSI Overbought / Oversold Index below a 30-reading (the respective white circles at the bottom end of the chart). Those conditions are currently being met.

6. TECHNICAL PICTURE

The Fear & Greed Index (a compilation of seven different equally weighted indicators that each measure specific aspects of stock market behaviour) has, since February, moved from a 68 score (a Greed level) to the current 10 score (an Extreme Fear level). Six of the seven indicators indicate an Extreme Fear level (the Put/Call indicator has a Fear reading). This overall current reading reflects a strong technical buying opportunity.

CNN Fear & Greed Index



S&P 500 vs 50- and 200-day Moving Average and Ratio vs 200-day Moving Average



Technically, the S&P 500 Index is weak. It has crossed below its 50- and 200-day moving averages, and its 50-day moving average is turning downwards (the white circle at the top right). It has not yet formed a Death Cross (the 50-day crossing the 200-day moving average), and it is only 4% below its 200-day moving average (the white circle at the bottom right). Seeing historical behaviours, there is some risk technically for further weakness. Along with this, 12% of its constituents are below their respective Lower Bollinger Bands, 11% are below their respective 30 RSI levels and 5% below their respective 52-week lows (not shown). These are not yet excessive levels. Technically, there remains room for further weakness.

All said, economic fundamentals are favourable with strong stock market valuation upside, as inflation fears cause sharp selloffs and good buying opportunities. Logically, the key to actively invest now lies simply in a solution to the Strait of Hormuz crisis. We, though, perceive the further stock market downside in the case of the war dragging on lower than the potential upside should a solution be found in the not-too-distant future.

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RISK DISCLOSURE

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