



# INVESTMENT OUTLOOK

## June 2026



### At a Glance

- **Base case:** Markets remain resilient in a reflationary environment of robust growth and sticky inflation, but the regime is increasingly constrained by higher-for-longer rates and geopolitical uncertainty, and stays in flux pending an Iran resolution.
- **Why:** Strong US data has shifted the narrative toward reflation, repricing the Fed from cuts toward a 2026 hike and lifting yields across the curve.
- **Key risk:** A prolonged Iran conflict reopens the oil/inflation channel, keeping core inflation near ~3%, while a 10-year above 4.5% pressures equity multiples even as earnings hold.

### Key Themes

#### 1 Reflation has replaced stagflation fears, but with tighter constraints

- Strong US data — May payrolls +172k (vs. 88k consensus), ISM Manufacturing at 54 and cycle-high earnings-revision breadth — is shifting the narrative toward reflation with sticky inflation, supporting earnings but not valuations.
- Higher-for-longer rates and yields approaching critical thresholds (~4.5%) are becoming the binding constraint on further market upside.

#### 2 Iran remains the key macro regime-defining variable

- The outcome is binary: de-escalation restores disinflation and rate relief, while escalation—the ceasefire now fracturing—risks a renewed inflation impulse through energy and supply chains.
- Inflation persistence depends on conflict duration—prolonged disruption keeps core inflation closer to ~3%, reinforcing a higher-for-longer policy path.

#### 3 Central banks are shifting back toward tightening bias

- Stronger growth and inflation risks have repriced policy toward hikes — the Fed from cuts toward a 2026 hike, with markets pricing close to three ECB hikes — as global central banks turn more hawkish.
- As a result, financial conditions are tightening via higher yields and delayed easing, increasing cross-asset volatility.

### Key Signposts

- **Oil shock duration:** whether Brent (~\$99) settles lower or re-rates toward \$110–115 as physical disruption persists with Hormuz throttled.
- **Inflation spillover:** whether energy shocks stay contained or broaden into core inflation (~3%) via the supply chain.
- **Policy path:** whether the Fed's shift toward a 2026 hike and higher-for-longer pricing holds, or a conflict resolution reopens an easing bias.
- **Equity resilience:** whether earnings keep supporting markets, or higher yields (10y >4.5%) and mega-IPO liquidity absorption (SpaceX, Anthropic, OpenAI) drive a setback.



# INVESTMENT STRATEGY

## JUNE 2026



### At a Glance

- **Most likely outcome:** Markets are increasingly conditioned by rates, geopolitics and liquidity: equities advance on earnings rather than multiple expansion, with resilience intact but upside capped and pullbacks from Iran, yields and mega-IPO supply likely shallow given anchored valuations.
- **Implementation bias:** Position for a more volatile, flow-driven regime: stay neutral and add on weakness, favouring quality earnings and AI-infrastructure, OW EM/Asia vs US, carry over duration, and accumulate gold.

### Key Themes

- 4 Equity resilience facing emerging headwinds**
  - Equities remain supported by earnings strength and reasonable valuations, but the prior decoupling from rising yields is starting to reverse.
  - Rising yields, and geopolitical risks are likely to drive near-term volatility rather than a bear market.
- 5 Liquidity and positioning from mega IPOs**
  - SpaceX, Anthropic and OpenAI target ~\$200bn of proceeds — over 2.5x the entire 2025 US IPO market — and fast-tracked index entry can force passive selling concentrated in top mega-caps.
- 6 Crowded AI/tech positioning raises unwinding risks**
  - Prime-broker data show large-cap tech positioning at the high end as market breadth hits record lows, reflecting strong conviction in the theme.
  - While fundamentals remain supportive, crowding increases the risk of sharper, flow-driven pullbacks if positioning unwinds or expectations disappoint.
- 7 It is not yet time to de-risk in AI/tech**
  - The current tech cycle remains fundamentally driven by earnings and cashflow strength, rather than purely valuation expansion.
  - Sustained AI demand and tight supply in critical infrastructure support earnings, so stay invested in the owners of the physical bottlenecks.



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### Global Tactical Asset Allocation

Sub-Asset Classes	UW	N	OW	Comments
<b>Equities</b>				
US/Canada				<ul style="list-style-type: none"> <li>Earnings resilience and broadening breadth support equities, but rising yields (~4.5%), Iran risk and mega-IPO supply are emerging as binding constraints on multiple expansion.</li> <li>Stay neutral with a bias to add on sharp weakness; favour quality earnings and AI-infrastructure bottlenecks.</li> <li>Maintain US underweight and EM/Asia overweight, where valuations offer a greater margin of safety.</li> </ul>
Europe				
Japan				
Asia & EM				
Global Thematic Equities				
<b>Fixed Income</b>				
Developed Sovereign				<ul style="list-style-type: none"> <li>Strong growth and higher-for-longer rates (one 2026 hike now priced) make duration an unreliable hedge.</li> <li>Carry remains the primary return driver — prioritise IG for quality, with selective HY and EM debt.</li> <li>Duration is a tactical, Iran resolution-contingent opportunity, not a structural allocation.</li> </ul>
Developed Corp IG				
Developed Corp High Yield				
Emerging Markets Bonds				
<b>Alternatives</b>				
Precious Metals				<ul style="list-style-type: none"> <li>Oil is settling at higher levels but not normalizing — Hormuz stays effectively closed and energy remains the key inflation channel.</li> <li>Gold trades inversely to real yields but retains structural value as a regime hedge.</li> <li>Accumulate gold on weakness against longer-term inflation, deglobalization and de-dollarisation risks.</li> </ul>
Hedge / Alternative Funds				

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