



Global Economics & Markets Outlook

# VANTAGE POINT

**PRESSURE POINTS Q2 2026**

BNY INVESTMENT STRATEGY & RESEARCH GROUP

# INTRODUCTION

## Welcome to another edition of Vantage Point, the quarterly economic and markets outlook from the BNY Investment Strategy & Research Group

This year, the global economy reflects the complex interactions of geopolitical risk, inflation, and central bank policy. The ongoing conflict in the Middle East, and the threat it poses to energy flows, has introduced meaningful near-term Pressure Points. Simply, current geopolitical risks feed higher energy prices, energy prices feed inflation, and inflation constrains the policy response available to central banks.

Our base case assumes tensions ease in the coming weeks, allowing global growth momentum to continue. However, even before the Iran conflict, the inflation picture was challenging. Strong consumer demand and fiscal support have kept inflation elevated, limiting central banks' room to maneuver. A sustained energy shock layered on top of above-target inflation could unanchor expectations and, in a tail scenario, force rate hikes in 2026.

### BASE CASE: EXPANSION (50% PROBABILITY)

In our base case, which we call expansion (50% probability), the most acute geopolitical pressures ease soon, allowing global activity to move forward. Fiscal loosening acts as a tailwind and labor market conditions gradually improve, leading to modestly improving financial conditions. Despite stubborn inflationary pressures, the Federal Reserve (Fed) is expected to deliver one rate cut in 2026. Risk assets should trend positive, though returns may settle closer to longer-run averages, with credit spreads remaining compressed but providing attractive income. One important distinction from consensus is that we expect inflation will be stickier – a view that predates recent Middle East developments.

### STAGNATION (30% PROBABILITY)

The stagnation scenario (30% probability) reflects a world where the geopolitical pressure doesn't dissipate. This assumes the Iran conflict drags on longer than expected and inflicts targeted damage to key energy infrastructure. This ongoing uncertainty weighs on business and consumer

confidence, slowing global momentum but stopping short of pushing the economy into recession. The combination of a supply shock in a non-recessionary environment increases the risk that inflation expectations become unanchored. In this scenario, the Fed is likely to hike rates in 2026, pushing 10-year Treasury yields above 5% and driving volatility across equities, duration, and credit. Real assets and inflation hedges are expected to provide relative stability and serve as meaningful portfolio buffers.

### RECOVERY (20% PROBABILITY)

The recovery scenario (20% probability) paints a more benign picture. In this scenario, a quick resolution to the Iran conflict meets resilient global activity. The unemployment rate rises slightly above the natural rate but remains stable. With price pressures proving temporary, inflation on a credible path toward target, and further signs of a pickup in productivity growth, the Fed and its new leadership has room to cut rates twice in 2026. Equity multiples can expand, earnings growth remains robust, and bonds reassume their role as effective portfolio diversifiers. Meanwhile, the U.S. dollar holds steady or softens slightly, as rate differences between countries narrow.

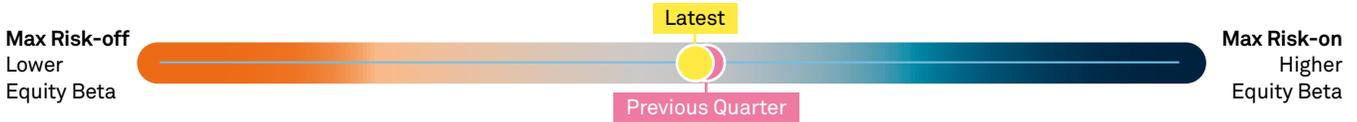
Despite near-term uncertainty, we see a resilient global backdrop, but admittedly, much depends on the scope, scale, and duration of the Iran conflict. While our base case anticipates an easing of these tensions, the range of outcomes is wider than recent quarters, and downside tails could become non-linear. We prefer resilient, well-diversified portfolios and a practical risk framework. Above all, BNY Investments is here to help.



**Eric Hundahl, CFA**  
Head of BNY Investment Strategy  
& Model Portfolios

# EXECUTIVE SUMMARY

We base the outlook on the idea that financial market moves largely reflect growth, inflation and monetary policy. Tactical investment opportunities arise when our views significantly differ from market pricing.



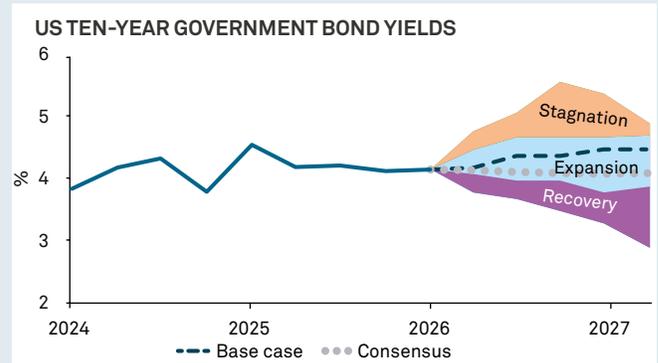
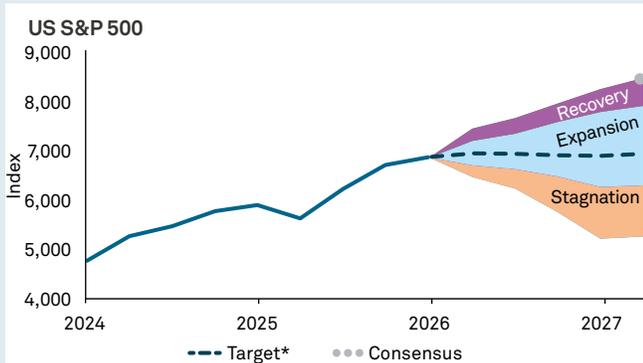
**Table 1: Our Outlook vs. Consensus**

	Q2 2026	Q/Q Change	Takeaway
<b>Growth</b>		↑	Our expectation for growth over the next 12 months remains above consensus in the US, slightly below consensus in the Eurozone, and in line with consensus in China. Risks around our base case lie to the downside for all forecasted major regions.
<b>Inflation</b>			We see inflation above target but in line with market expectations for the US and above target but in line with expectations for the Eurozone. We expect continued deflation in China. Risks around our base case lie to the upside in the US and the Eurozone.
<b>Policy</b>			Our expectation for policy rates over the next 12 months is in line with market pricing in the US and above market pricing in the Eurozone. Risks around our basecase lie to the upside for the US and the Eurozone.

How to read the heatmap. **Blue** indicates much better than expected (relative to the consensus) growth, much lower than expected inflation and significantly greater than expected monetary policy accommodation. **Light blue** indicates better than expected growth, lower than expected inflation and greater than expected policy accommodation. Grey indicates that expectations for economic growth, inflation and policy are broadly in line with the consensus. **Light orange** indicates worse than expected growth, greater than expected inflation and a tighter than expected monetary policy. **Orange** indicates significantly worse than expected growth, much greater than expected inflation and a much tighter than expected monetary policy.

**Table 2: Tactical Investment Views**

Major Asset Class	Q2 2026	Q/Q Change	Takeaway
Global Equity			Global growth remains resilient with structural drivers intact, and recession risks remain odds against despite elevated geopolitical uncertainty. In our base case, we remain overweight equities with a preference for cyclical exposure.
Sovereign Bonds		↓	Even after assuming a quick resolution of the Middle East conflict, near term price pressures remain locked in as underlying domestic inflation was already robust before the conflict and robust growth will add to price pressures. An underweight position is utilized as a hedge against the downside scenario despite elevated yields offering attractive income.
Credit			Compressed spreads and higher rate risks limit upside in credit, reinforcing the need for selectivity. We favor higher-quality credit over high yield and prefer European credit over U.S. markets.
Real Assets			Real assets remain an important diversifier amid volatile inflation and geopolitical risks. We are favorable on infrastructure and commodities and constructive on real-return strategies for inflation protection.
Cash		↑	Short duration's utility has increased as a hedge against a worsening of the supply shock, the continuation of the rate-cutting cycle being challenged, and volatile long-end yields. Targeted curve exposure remains crucial. We view absolute return strategies that can exploit monetary and fiscal divergence as attractive.



Source: BNY Investment Strategy & Research Group as of March 23, 2026.

\* Target is the expected outcome based on the average of three scenarios weighted by how likely they are to occur. Please see additional disclosures and glossary.

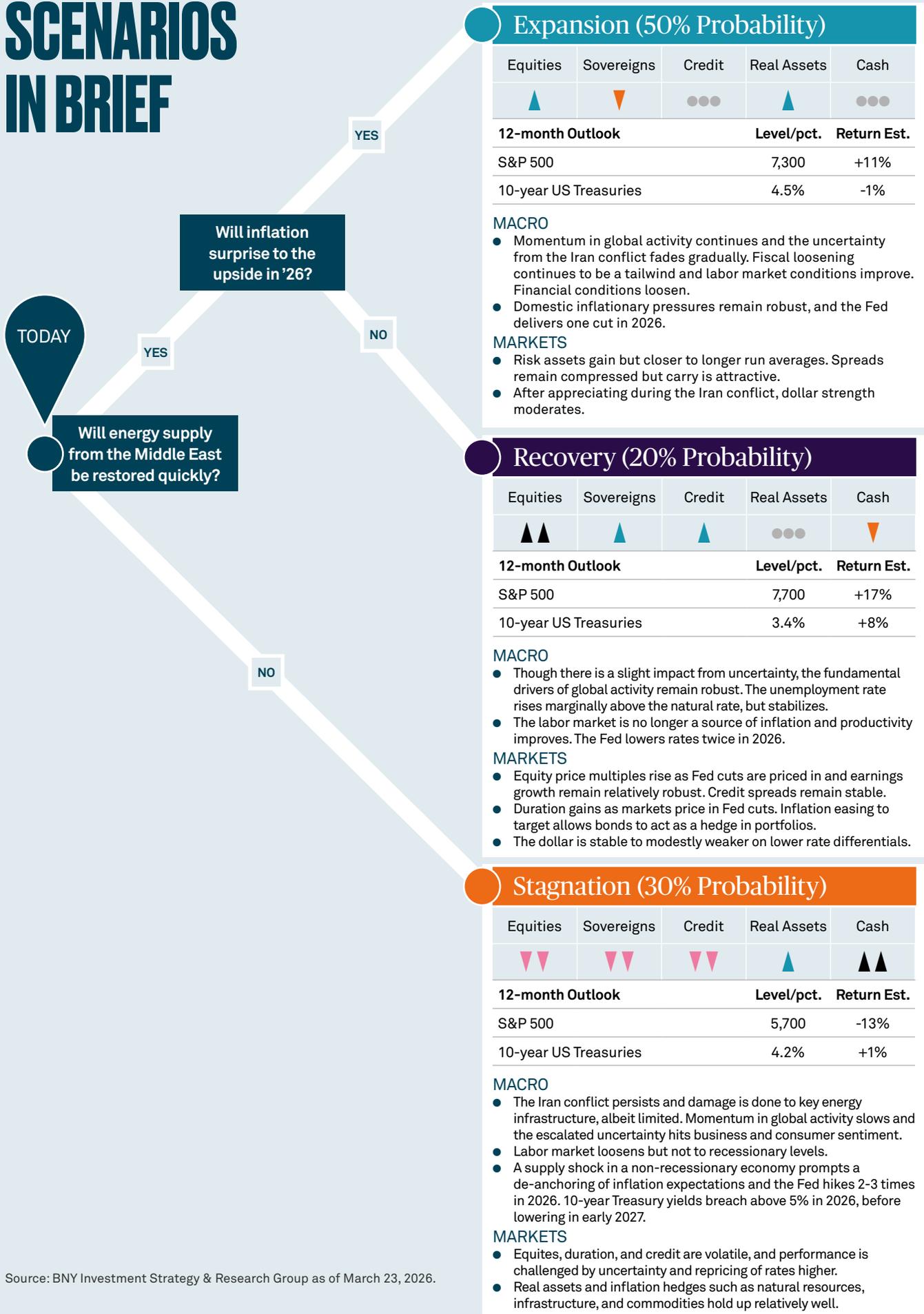
S&P 500		
	Base Case	Probability Weighted
12-month Outlook		
EPS Estimate	314	309
Earnings Growth	+13%	+11%
Price/Earnings	23	22
Approximate Level	7,300	6,900
<b>Return Estimate</b>	<b>+11%</b>	<b>+5%</b>

Source: BNY Investment Strategy & Research Group as of March 23, 2026.

10-year US Treasuries		
	Base Case	Probability Weighted
12-month Outlook		
Fed funds rate	3.5%	3.6%
Yield curve slope	+100bp	+60bp
Approximate Level	4.5%	4.2%
Yield change	+20bp	-15bp
<b>Return Estimate</b>	<b>-1%</b>	<b>+1%</b>

Source: BNY Investment Strategy & Research Group as of March 23, 2026. Table figures may not add up due to rounding.

# SCENARIOS IN BRIEF



## Expansion (50% Probability)

Equities	Sovereigns	Credit	Real Assets	Cash
▲	▼	●●●	▲	●●●

12-month Outlook		Level/pct.	Return Est.
S&P 500		7,300	+11%
10-year US Treasuries		4.5%	-1%

### MACRO

- Momentum in global activity continues and the uncertainty from the Iran conflict fades gradually. Fiscal loosening continues to be a tailwind and labor market conditions improve. Financial conditions loosen.
- Domestic inflationary pressures remain robust, and the Fed delivers one cut in 2026.

### MARKETS

- Risk assets gain but closer to longer run averages. Spreads remain compressed but carry is attractive.
- After appreciating during the Iran conflict, dollar strength moderates.

## Recovery (20% Probability)

Equities	Sovereigns	Credit	Real Assets	Cash
▲▲	▲	▲	●●●	▼

12-month Outlook		Level/pct.	Return Est.
S&P 500		7,700	+17%
10-year US Treasuries		3.4%	+8%

### MACRO

- Though there is a slight impact from uncertainty, the fundamental drivers of global activity remain robust. The unemployment rate rises marginally above the natural rate, but stabilizes.
- The labor market is no longer a source of inflation and productivity improves. The Fed lowers rates twice in 2026.

### MARKETS

- Equity price multiples rise as Fed cuts are priced in and earnings growth remain relatively robust. Credit spreads remain stable.
- Duration gains as markets price in Fed cuts. Inflation easing to target allows bonds to act as a hedge in portfolios.
- The dollar is stable to modestly weaker on lower rate differentials.

## Stagnation (30% Probability)

Equities	Sovereigns	Credit	Real Assets	Cash
▼▼	▼▼	▼▼	▲	▲▲

12-month Outlook		Level/pct.	Return Est.
S&P 500		5,700	-13%
10-year US Treasuries		4.2%	+1%

### MACRO

- The Iran conflict persists and damage is done to key energy infrastructure, albeit limited. Momentum in global activity slows and the escalated uncertainty hits business and consumer sentiment.
- Labor market loosens but not to recessionary levels.
- A supply shock in a non-recessionary economy prompts a de-anchoring of inflation expectations and the Fed hikes 2-3 times in 2026. 10-year Treasury yields breach above 5% in 2026, before lowering in early 2027.

### MARKETS

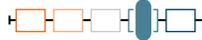
- Equities, duration, and credit are volatile, and performance is challenged by uncertainty and repricing of rates higher.
- Real assets and inflation hedges such as natural resources, infrastructure, and commodities hold up relatively well.

# GROWTH

## Our Outlook vs. Consensus



### US



#### Our Outlook vs. Consensus

Our view for the US economy – reflecting both our base case and the balance of risks – sees growth above consensus for Q1 '27.

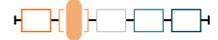
#### Base Case

Despite the strong rise in energy prices seen over the past month, our base case for US growth remains more constructive than consensus. There is little question that higher energy prices will hit consumption in the near term, but incoming fiscal stimulus, the lagged impact of looser monetary policy/financial conditions, ongoing AI capex deployment, and potentially higher energy production and investment, provide a cushion to the growth hit.

#### Risks

Risks around our base case are tilted to the downside. First, the energy shock could prove larger and more persistent than we assume. Second, the economy may not display the same resilience to shocks as in recent years, given the existing softness in the labor market. While we think an immediate US recession remains unlikely given the economy's strong starting point, the probability of a more bearish growth outcome would rise if a sharp energy-price shock were to coincide with renewed interest-rate hikes.

### EUROPE AND CHINA



#### Our Outlook vs. Consensus

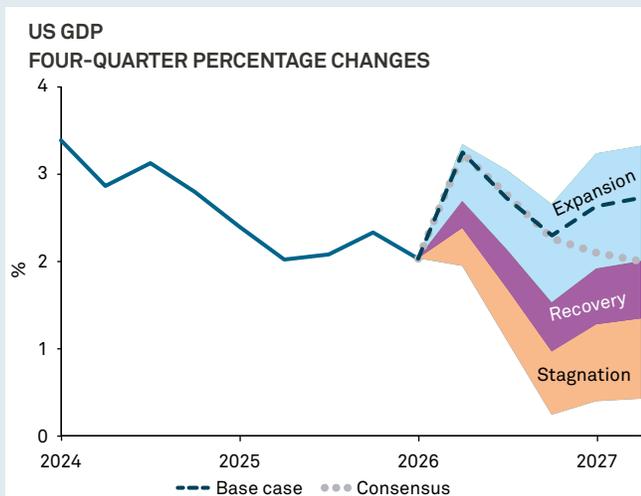
As a result of the energy shock, we have marked down our view on European growth and now sit below consensus. Our probability weighted forecast for Eurozone growth is 0.8% for Q1 '27. For China, our forecast sees growth slowing to around 4.5%, in line with the market consensus and at the lower end of the 4.5% to 5.0% growth target set for 2026.

#### Base Case

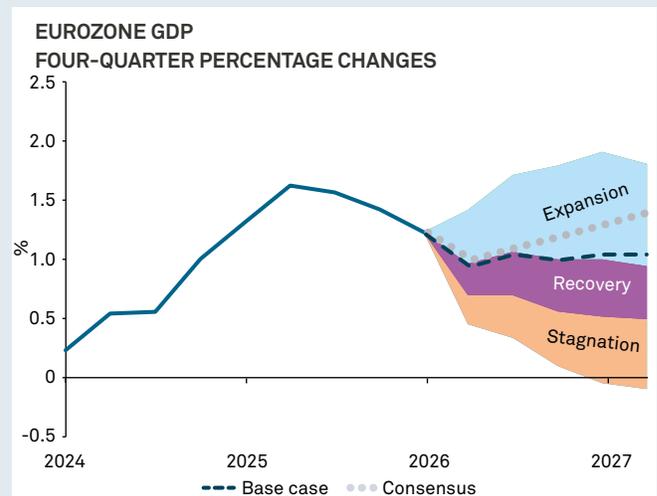
Our base case for the Eurozone had assumed a cyclical pickup in growth in 2026, but we now see this recovery delayed to 2027 due to elevated energy prices. Our base case sees growth at around trend, reaching 1.1% by Q1 '27, compared to consensus at 1.4%. Our base case is for China's real growth to slow to a mid 4% handle on a bottoming of the real estate downturn, continued buoyancy in net exports and only a modest stimulus. The National People's Congress did not outline a forceful initiative to re-balance the economy toward domestic consumption. But upstream tech-focused stimulus and rising social transfers should limit the odds of further expenditure-side imbalances. Beijing's higher oil reserves and ability to switch to oil substitutes provide a buffer against energy price volatility.

#### Risks

Outside the US, the risks around our growth base case lie to the downside. The Eurozone is a net energy importer and therefore highly exposed to swings in oil and natural gas prices. In our Stagnation scenario, we expect growth to fall below potential and slow to roughly 0.5% by Q1 '27. China is reliant on exports and sensitive to a broader worsening of global trade conditions.



Source: BNY Investment Strategy & Research Group as of March 23, 2026.



Source: BNY Investment Strategy & Research Group as of March 23, 2026.

# INFLATION & POLICY

## Our Outlook vs. Consensus



### US



#### Our Outlook vs. Consensus

Our probability weighted expectation for US policy rates is in line with market pricing over the next 12 months. We expect inflation to remain above target over the next 12 months, reaching around 3%, reflecting lingering price pressures and the impact of the conflict in the Middle East.

#### Base Case

Our base case for US inflation assumes some persistence despite a quick resolution to the conflict. Even before the recent events in the Middle East, US inflation was already showing signs of stickiness. Following the events, inflation pressures are likely to rise even further. The Middle East is not only a key exporter of energy, but also of fertilizers, aluminium, petrochemicals, and other energy-intensive inputs across downstream supply chains. Even if the conflict is resolved quickly, some of these price pressures are now locked in. With both growth and inflation surprising to the upside, we expect only a limited decline in policy rates from here – one cut over the next 12 months.

#### Risks

The risks around our base case lie to the upside for both US inflation and policy rates. If we are wrong about a fast resolution of the conflict, we think price pressures will outweigh any negative impact on growth and could push the Fed into rate hikes. We still see room for several rate cuts in the coming quarters, but this is now an odds-against scenario: it would require a rapid resolution of the conflict, no lasting damage to energy or other energy-intensive goods, and a dovish reaction function from the Fed.

### EUROPE AND CHINA



#### Our Outlook vs. Consensus

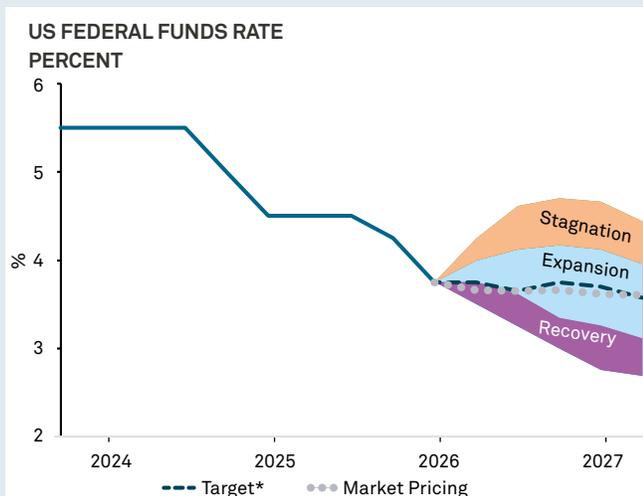
Our probability weighted expectation for Eurozone policy rates is above current market pricing. We anticipate ECB hikes in the coming months as inflation picks up and moves above target in '26. For China, deflation eases in 1H'26 on anti-involution measures. But reflation could stall in 2H'26 on the dearth of credible (large-scale) macro re-balancing efforts. We think PBoC eases a bit more in 2026 and maintains ample liquidity.

#### Base Case

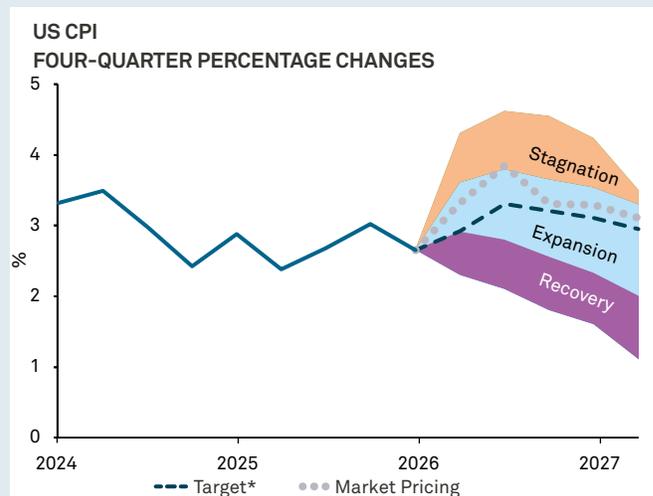
In our most likely scenario, Expansion, we expect three rate hikes over the next 12 months—more hawkish than market expectations—as inflation rises to around 3% and the ECB moves slightly above the upper bound of its definition of “neutral.” In China, we expect the authorities to remain focused on modest-size, long-term measures to boost innovation and upstream productivity. But we do expect the PBOC to tolerate a stronger CNY to ward off protectionist impulses around the world. We think the government will take further measures to curb excess supply, implement consumer goods trade-in programs and boost social transfers to limit downside risks.

#### Risks

The path for rates in the Eurozone under our Stagnation scenario is well above current market pricing, reflecting the upside risks to inflation from a spike in energy prices. In this scenario, policy rates move above 3%. In China, the main risk is a slump in external demand brought on by a global slowdown or rising protectionism. Persistent deflation, weak corporate profits, and slowing investment may force the government to come up with larger support measures.



Source: BNY Investment Strategy & Research Group as of March 23, 2026.



Source: BNY Investment Strategy & Research Group as of March 23, 2026.

\*Target is the expected outcome based on the average of three scenarios weighted by how likely they are to occur.

Please see additional disclosures and glossary.

# KEY TAKEAWAYS

- Geopolitics drive near-term uncertainty: Our base case assumes Middle East risks fade in coming weeks, allowing global growth momentum to remain intact.
- Inflation remains the constraint: Strong activity and a stable labor market keep inflation pressures elevated, limiting the Fed's ability to cut rates.
- Rates risk has shifted higher: An energy shock with inflation already above target could unanchor inflation expectations and lead to rate hikes in 2026.
- Tail risks are wider: Our portfolios maintain selective risk exposures with the focus on hedging downside risks given the non-linear nature of the shock.
- Portfolio resilience remains the key theme: We continue to emphasize inflation protection across portfolios. This includes a focus on income-oriented equities, shorter duration within fixed income, and a preference for real return strategies within real assets.

## Summary of Macro Outlook and Portfolio Positioning

The outlook is being shaped by uncertainty around developments in the Middle East. Our base case assumes a resolution in the coming weeks. Under this scenario, business activity and consumer sentiment remain largely unaffected, and the current momentum in global growth stays intact.

However, strong activity along a stable labor market also mean inflation pressures remain elevated. This is occurring at a time when U.S. inflation was already proving sticky, even before the recent energy shock. As a result, the Federal Reserve has limited flexibility and, in our base case, is only able to cut rates once in 2026.

Notably, the range of potential outcomes is wider than in previous quarters. Downside risks are more pronounced and could materialize in a non-linear way. Importantly, the balance of risks to interest rates has shifted. Unlike prior quarters—when rate risks were skewed lower—an energy shock at a time when inflation remains above target could push inflation expectations higher. If that occurs, the Fed may need to raise rates two to three times in 2026.

## Asset Allocation Implications

Given heightened uncertainty and wider tail risks, we are taking a disciplined and prudent approach to portfolio construction. Our portfolios maintain selective risk exposures with the focus on hedging downside risks given the non-linear nature of the shock.

Resilience is the central theme in our portfolios this quarter. Risks around our base case are skewed toward higher U.S. inflation and higher policy rates, reinforcing the view that we remain in a volatile inflation regime. As a result, we continue to emphasize inflation protection across portfolios. This includes a focus on value and income-oriented equities, shorter duration within fixed income, and a preference for real return strategies within real assets.

## Our Research Publications

Vantage Point is our flagship quarterly outlook, where we detail our macro views and asset class positioning. For more frequent updates on the macro environment and market implications, please refer to Monthly [Checkpoints](#). Our long-term views on structural themes, asset class risk-return expectations, and correlations are outlined in our [Capital Market Assumptions](#).

# ASSET CLASS VIEWS

Major asset class	12-month view	10-year view	Comments
<b>Global Equity</b>			The global economy continues to show resilience and structural forces for growth remain intact. In the near-term, downside risks to growth remain elevated amid geopolitical uncertainty. The tailwinds from policy support are challenged by geopolitical risks and risks tighter financial conditions. This remains a tail scenario; however, and while volatility may persist, recession risks remain odds against. In our base case scenario, we remain overweight with a preference for cyclical segments.
<b>Sovereign Bonds</b>			Even after assuming a quick resolution of the Middle East conflict, near term price pressures remain locked in as underlying domestic inflation was already robust before the conflict and robust growth will add to price pressures. In tail risk scenarios, higher inflation could drive a repricing higher in rates and an underweight position is utilized as a hedge against this scenario despite elevated yields offering attractive income.
<b>Credit</b>			Despite some widening, spreads remain compressed in a historical context and face additional pressure from rising risk-free rates and slowing private credit funding. While higher carry has worked well for credit returns, especially, amidst firmer than expected growth and supply absorption by private credit funds, current conditions warrant the need for greater selectivity. We stay neutral EM USD credit. We like shorter duration credit; and prefer quality over yield, and European credit over U.S.
<b>Real Assets</b>			Real assets remain an important diversifier amid elevated and volatile inflation, a transition at the Federal Reserve board, and continuing global geopolitical uncertainty. We stay favorable on infrastructure and commodities and stay constructive on real return strategies for inflation protection.
<b>Cash</b>			Short duration's utility has increased as a hedge against a worsening of the supply shock, the continuation of the rate-cutting cycle being challenged, and volatile long-end yields. Targeted curve exposure remains crucial. We view absolute return strategies that can exploit monetary and fiscal divergence as attractive.
Equity	12-month view	10-year view	Comments
<b>Developed Market Equity</b>			The Middle East conflict presents non-linear risks to DM growth in the near-to-medium term with divergence in magnitude between regions. The lagged impact of monetary policy loosening remains but repricing higher of rates adds to volatility and pressures valuations. Nonetheless, structural growth themes remain intact. The AI theme is expected to continue, though with increased investor scrutiny reinforcing the need for a well-diversified approach.
<b>US Equity</b>			Both our base case and the downside case see higher price pressures and rates at a time when there are concerns around potential overinvestment in AI by hyperscalers, which leaves concentrated indices vulnerable to a repricing of valuations. Disagreement within the Fed on the future path of policy rates may also contribute to elevated equity volatility, but higher inflation and real yields should be relatively supportive for Value.
<b>UK Equity</b>			UK equities remain attractive for income-seeking investors given elevated yields. Income-oriented strategies offer a hedge against structurally higher inflation risks. Sector exposure (e.g., mining, energy, banks), the potential for weaker sterling—which tends to benefit the index—and attractive valuations are additional tailwinds.
<b>Europe ex UK</b>			We expect the ECB to hike rates in 2026 with inflation above target. Lagged effects from prior policy easing and increased fiscal support should help sustain the cycle but risks from the Middle East conflict presents non-linear risks to the downside. De-escalation of the Ukraine–Russia war could serve as a performance catalyst. In relative terms, select European countries (e.g., Spain, Italy) and styles (Value, Income) may continue to outperform. Small caps, which trade at discounts to large caps, are becoming increasingly attractive.

Source: BNY Investment Strategy & Research Group as of March 24, 2026.



Equity	12-month view	10-year view	Comments
Japan Equity			Japan is heavily exposed to oil supply from the Persian Gulf, but it also has sizable strategic petroleum reserves. Insofar as the energy shock abates in line with our expansion and recovery scenarios, Japanese equities should gain from rising real wages and a strong political mandate for the Takaichi government – which should foster corporate governance reform and some upstream supply-side stimulus. Amidst buoyant business sentiment these should sustain strong domestic demand and corporate earnings insofar as the energy price shock abates.
EM Equity			Emerging markets to be boosted by a moderation in USD strength on conflict abatement by mid-2026. In this backdrop, some easing of local rates (in LatAm and EMEA) could be back on the cards again. Lower US tariffs, and a diffusion of AI and the spillovers to electronics production, data centers and exports are sizable. EMs to also gain from long-term (de-risking) shifts in global supply chains. Moreover, cheaper valuations and lower country- and sector-correlations also favor EMs.
China Equity			Easing US tariffs, a bottoming of the housing downturn, a vibrant tech sector and a proven capability to penetrate global export markets are positive factors. But piecemeal stimulus, slow macro rebalancing (and over-reliance on exports), lingering deflation and relatively low corporate earnings growth are drawbacks. Beijing's large strategic fuel reserves and scalable access to coal, nuclear power could raise the attractiveness of Chinese equities in the event the energy price shock is more prolonged.
EM ex China			Electronics oriented EMs should continue reaping gains from robust AI-driven semiconductor order books. Commodity intensive EMs to gain from rising data-center related metals and the quest to broaden the sourcing of critical minerals and rare earths. Strategic efforts to boost renewables and nuclear energy, for bypassing Mid-East chokepoints, to also benefit ex-China EMs. Moreover, attractive valuations, lower country- and sector-correlations keep us constructive. However, a material worsening of the energy price shock could lower the attractiveness of this asset class.
Fixed Income	12-month view	10-year view	Comments
US Treasuries			Our central case sees some inflation persistence even after assuming a quick resolution of the Middle East conflict. Tail risk scenarios see higher inflation, whereby the Fed reacts with rate hikes. Large deficits remain a risk, but income remains attractive. We are cautious on the prospect of limited duration gains and elevated volatility. We prefer Treasury inflation-protected securities (TIPS) to nominal U.S. Treasuries.
Intl. Sovereign Bonds			FX hedged income returns in selected DM countries remain attractive but risks to rates are to the upside as net energy importers remain vulnerable to further escalation of the Middle East conflict. Market is pricing in rate hikes for several DM central banks.
Global IG			Our outlook is constructive on credit, but spreads are rich and there is a limit in how much narrower they can get. Yield remains attractive, but we prefer using credit as a funding source. Whilst IG may hold up better than HY, risk-adjusted and relative-returns are not compelling.
High Yield Debt			Spreads are rich and we stay underweight. Carry has worked well for credit returns, but current conditions warrant the need for greater selectivity. Relative preference, within the space, is for short duration positioning for credit visibility and carry.
EM Local Currency Debt			We shift to Neutral, from Overweight, on the higher likelihood of rising inflation and the prospect of rate hikes in Asia and fewer cuts in LatAm and EMEA. Fiscal and external positions to also come under pressure at economies with low buffers against the energy price shock. Efforts to shield consumers from the fuel price spike to weigh on public finances, and countries with large net fuel imports to see a deterioration in external balances and a potential pick-up in currency pressure.
EM USD Debt			We stay Neutral which balances currency flexibility and balanced macro fundamentals against the energy price shock which is likely to raise some stresses on policy and market buffers. Overall EM credit fundamentals remain stable, with government debt levels at more moderate levels than at their developed counterparts; and our base case is that credit-metrics and liquidity at major EMs will hold up against a limited duration energy price spike. But a more prolonged price shock or lasting damage to energy infrastructure across the Mid-East could weigh more heavily on this asset class.

Source: BNY Investment Strategy & Research Group as of March 24, 2026.

# BNY INVESTMENT STRATEGY & RESEARCH GROUP

BNY Investment Strategy & Research Group draws upon the breadth and expertise of BNY Investments to generate thoughtful insights on macroeconomic trends, investable markets and portfolio construction to facilitate higher probabilities of higher outcomes for our portfolio managers and our clients.



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Model Portfolios



**SEBASTIAN VISMARA**  
Head of Investment Strategy &  
Research



**ANINDA MITRA**  
Head of Asia Macro &  
Investment Strategy



**RYAN MILGRIM, CFA**  
Senior Research Analyst



**JONATHAN PARK, CFA**  
Multi-Asset Research Analyst



**NICK TOCCHIO**  
Senior Macro & Rates Strategist

**Past performance is no guarantee of future results.**

**All investments involve risk, including the possible loss of principal. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.**

#### **RISK CONSIDERATIONS**

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Investors should consult their financial professional prior to making an investment decision.

#### **INDICES AND DEFINITIONS**

**Japan (Nikkei 225):** The NIKKEI 225 is an index that tracks the performance of the largest 225 companies traded in the Japanese market. **10Y UK Gilt** – Average yield of a range of UK government bonds all adjusted to the equivalent of a ten-year maturity. **Phillips Curve:** An economic theory that inflation and unemployment have a stable and inverse relationship. **US Consumer Prices (CPI) Index** measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rate represents the inflation rate. **The 10Y US Treasuries Average Yield** of a range of Treasury securities all adjusted to the equivalent of a ten-year maturity. **The CBOE VIX Index (VIX)** is an indicator of the implied volatility of S&P 500 Index as calculated by the Chicago Board Options Exchange (CBOE). **The Majors Dollar Index (USD)** measures the value of the US dollar relative to a basket of currencies of the most significant trading partners of the US including the euro, Japanese yen, Canadian dollar, British pound, Swedish krona, and Swiss franc. **The MSCI EM Index (Emerging Markets Equities)** tracks the total return performance of emerging market equities. **The S&P 500 Composite Index (S&P 500)** is designed to track the performance of the largest 500 US companies. **Europe STOXX 600** Index represents the performance of 600 large, mid and small capitalization companies across 18 countries in the European Union. **Bloomberg US Corporate High Yield:** covers the universe of fixed-rate, non-investment grade corporate debt in the US. **Bloomberg US Corporate Investment Grade:** designed to measure the performance of the investment grade corporate sector in the US **1-mth. 1-year forward swap:** the avg. interest rate for 1-mth. in 1-year forward. **GDP:** gross domestic product is the total monetary or market value of all the finished goods and services produced within a country's borders over a given time period. **Fed funds Rate:** the target interest rate for overnight lending and borrowing between banks. **Purchasing Managers Index (PMI):** An economic indicator derived from monthly surveys of private sector companies. A level above 50 indicates expansion compared to the prior month and below 50 contraction. Investors cannot invest directly in any index. **Slowdown:** GDP growth slowing below trend. **Global Financial Crisis:** The severe economic downturn that began in 2007-2008, characterized by widespread banking failures, a collapse in housing markets, and subsequent global recession. **Expansion:** GDP growth above trend. **Recovery:** growth recovering towards long-term trend growth. **Neutral Rate of Interest (r-star or r\*)** is the short-term interest rate that would prevail when the economy is at full employment and stable inflation. A rate at which monetary policy is neither contractionary nor expansionary.

#### **STATISTICAL TERMS**

**Skewness** in statistics represents an imbalance and an asymmetry from the mean of a data distribution. In a normal data distribution with a symmetrical bell curve, the mean and median are the same. **Probability-weighted mean** is similar to an ordinary arithmetic mean, except that instead of each of the data points contributing equally to the final average, data points are weighted by the statistical probability for a particular scenario outcome. **Duration** is a measure of a bond's interest-rate sensitivity, expressed in years. The higher the number, the greater the potential for volatility as interest rates change.

#### **OTHER**

**QE:** quantitative easing. **Fed:** US Federal Reserve. **ECB:** European Central Bank. **BOJ:** Bank of Japan. **BOE:** Bank of England.



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IS-904590-2026-03-20  
GU-831 - 30 June 2026  
IM-QMOVPWP-0326  
T13791 03/26