

Market Outlook and Asset Allocation

February 2026

Agenda

1	Synthesis	3
2	Economic and market outlook	5
3	Economic calendar	12
4	Tactical asset allocation grid	15

1 Synthesis

Synthesis

MACRO



Uncertainty has rebounded in the first months of the year, driven both by geopolitical events and by the return of Trump's tariff policy to the center of the debate. However, this noise should not drastically disrupt current growth dynamics. The US is experiencing a slight slowdown, but from still very solid levels, while Europe is in a good momentum and the effects of the German stimulus plan are now materializing in the real economy.

INFLATION



In the US, inflation had been on a downward path as goods inflation resumed its decline and services inflation continued to decelerate. However, two risks are emerging at this stage: a potential reacceleration depending on how Trump re-implements his tariffs, and fiscal policy risks ahead of the midterms (direct cash payments). In Europe, inflation is expected to undershoot the target in the first half of 2026, but could rebound in the second half, supported by a recovery in consumption.

CENTRAL BANKS



The latest economic developments, both the upside surprise in growth and the rebound in uncertainty, should comfort the ECB in its current position. We expect the central bank to remain on hold throughout the year. In the US, pressure on the Fed is likely to intensify as the midterms approach. However, the central bank is still expected to stay on pause: the decline in inflation, combined with reassuring signals from the labor market, argues in favor of maintaining the status quo.

IN A NUTSHELL

We expect a rebound in US growth in Q1 2026 after a disappointing fourth quarter, largely due to the government shutdown. While Trump's trade policy could somewhat weigh on growth, it is clear that the US economy benefits from a key advantage: productivity, which is not only high but also accelerating. In parallel, despite elevated capex, corporates continue to display healthy balance sheets, making them less vulnerable to short-term shocks.

FINANCIAL CONDITIONS



Recently, financial conditions have slightly deteriorated, mainly due to market dynamics as volatility has risen, EUR/USD has tightened, and risk appetite has softened somewhat. However, we see this as temporary and driven primarily by a strong rotation within the market rather than anything more structural. Overall, financial conditions remain accommodative thanks to the Fed's easing stance, which is expected to continue this year, and credit spreads that remain at historically low levels.

RISKS



Few main risks that we are monitoring in the medium term:

- Sharp rebound in uncertainty driven by Trump's tariff policy.
- The AI-driven disruption theme is intensifying, and concerns around capex persist, triggering a sharp repricing in tech stocks.
- Significant increase in energy prices, potentially linked to an escalation of the conflict in Iran, would once again weigh on Europe.

TACTICAL ALLOCATIONS



We maintain an overweight position on equities relative to bonds, with a preference for emerging markets over Europe and the US. We also have a bias toward Chinese tech stocks, which offer exposure to long-term megatrends such as digitalization and automation, not only AI.

In parallel, we have been positive on European defense since the start of the year. The sector continues to perform well, supported in particular by massive German defense spending plans.

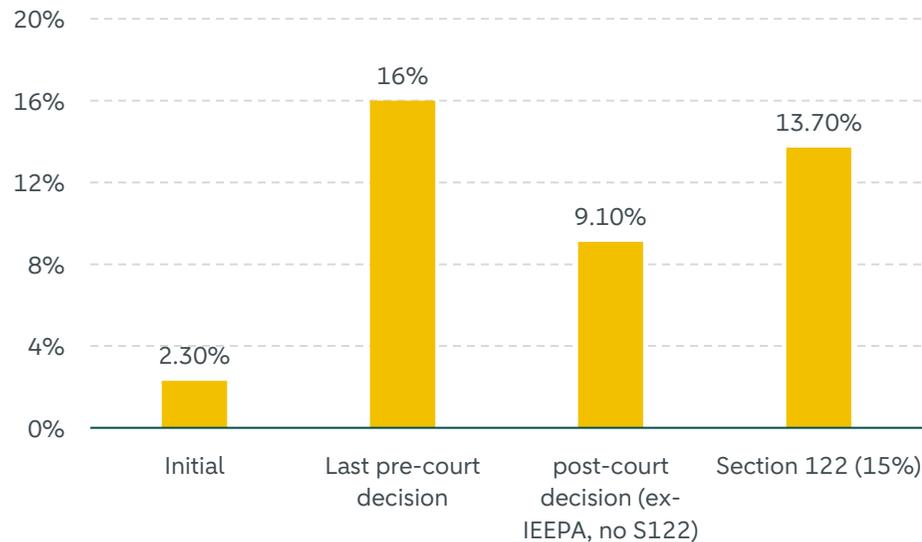
In Europe, the first effects of the German spending plan are becoming visible in the data, with the manufacturing sector rebounding strongly. We believe this cyclical recovery will continue in 2026. However, attention is warranted as the risk of overheating is non-negligible, as this recovery appears to be driven primarily by a highly stimulative policy mix.

2 Economic and market outlook

New tariff regime changes the equation ...

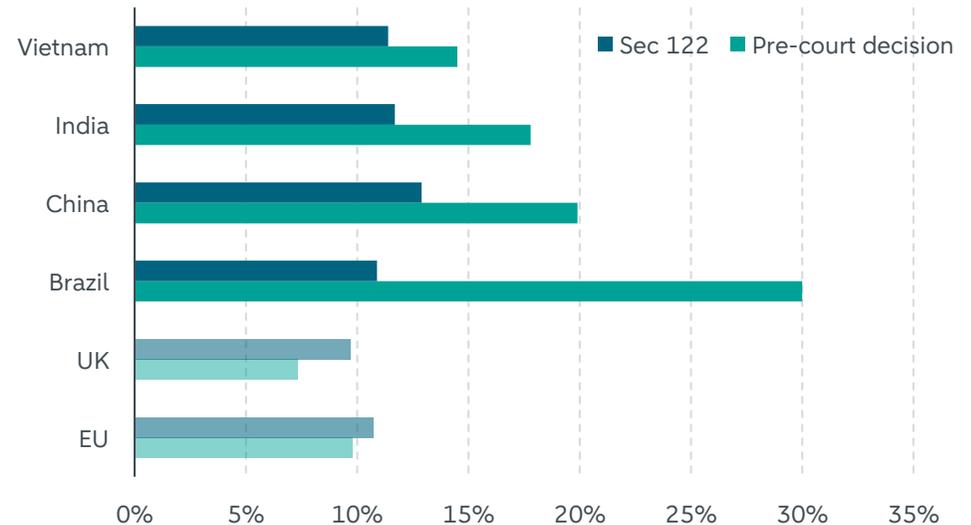
- ▶ The Supreme court decision brought back uncertainty when we thought tariff effects were behind us: which sections would Trump call on ? Will there be refunds ? Would trading partners backtrack on the initial trade deals, ... so many questions left unanswered.
- ▶ On the one hand, the unflexible section 122 the president has chosen so far, which sets the maximum tariff rate at 15% brings the average effective tariff rate in the US at a lower level than pre-ruling, but as IEEPA tariffs represent the majority of tariff revenues which helped reduce part of the fiscal deficit, the long-end part of the yield curve may be under pressure

US Average effective tariff rate before and after court ruling



Sources: Budget Yale estimations, as of 21/02/2026, ABN AMRO Investment Solutions.

Winners and losers of the new tariff regime

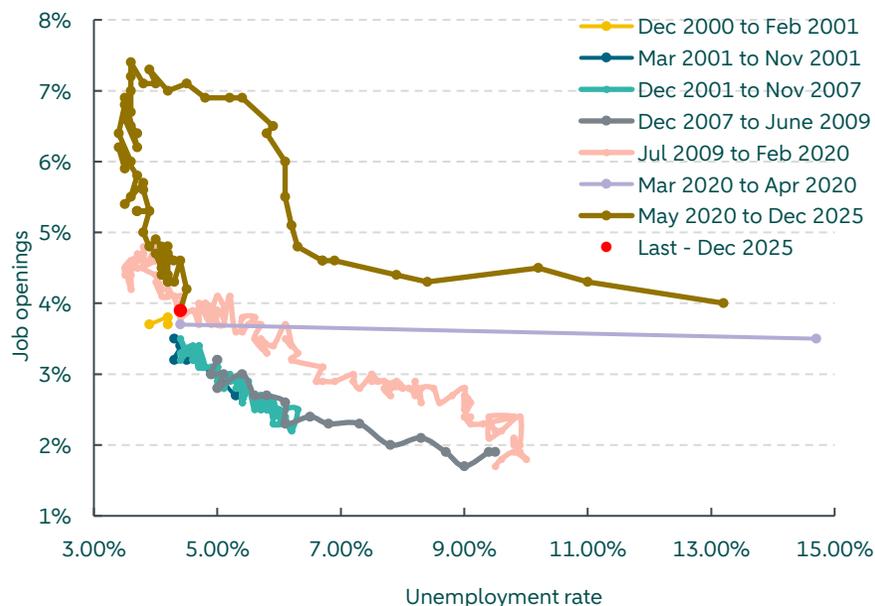


Sources: Bloomberg estimations, ABN AMRO Investment Solutions.

Amid a weakening but not collapsing labor market...

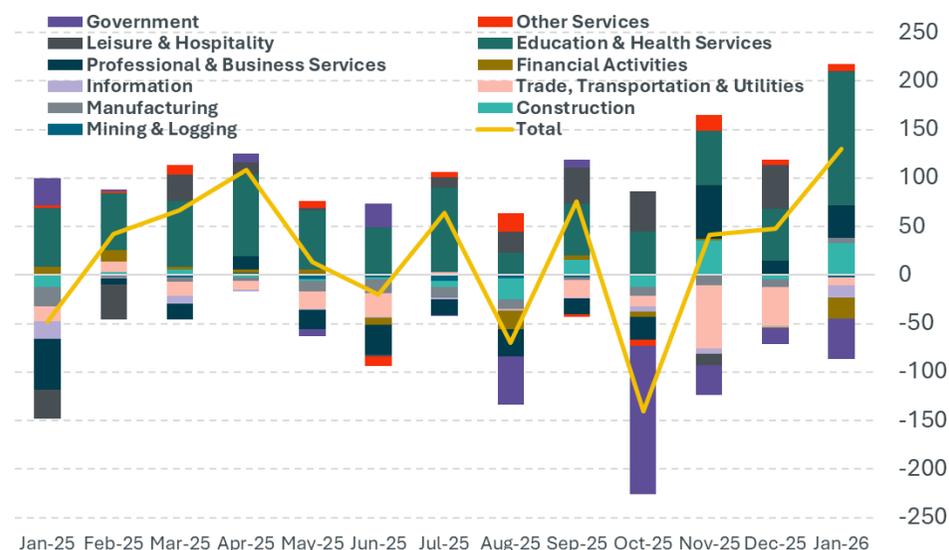
- ▶ The US economy continued to add jobs, albeit at a slower pace than in 2024. The labor market is now “low hiring, low firing”, weak demand meets weak supply keeping the unemployment rate basically stable. Uncertainty and immigration crackdown both contributed to these dynamics.
- ▶ Jobs creation have been mostly driven by the healthcare sector, a structural driver related to the aging population in the US. Jobs outside that sector are either weak or declining.

US Labor market lacks dynamism



Source: BLS, monthly data from 30/12/2000 to 30/12/2025, ABN AMRO Investment Solutions

Healthcare leads non-farm payrolls gains

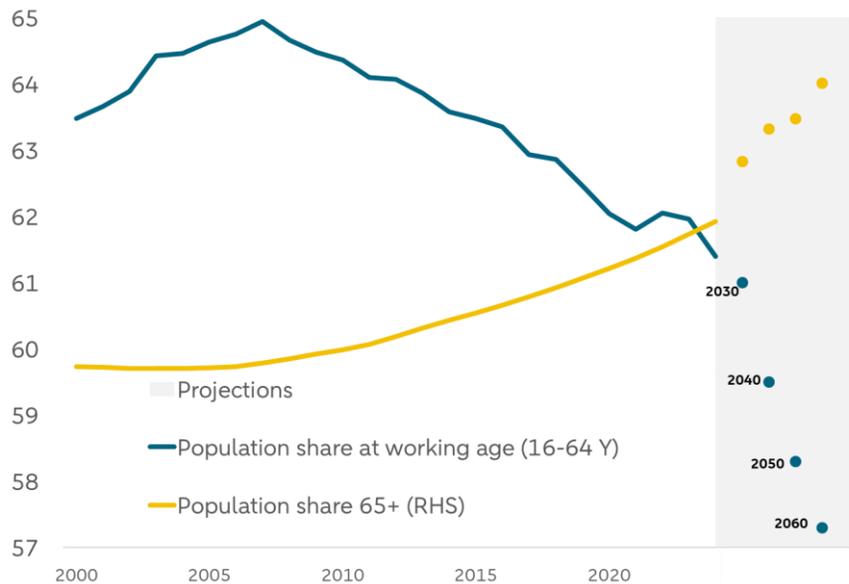


Sources : Bloomberg, monthly data from 01/01/2025 to 01/01/2026, ABN AMRO Investment Solutions.

Driven by an aging population in the US..

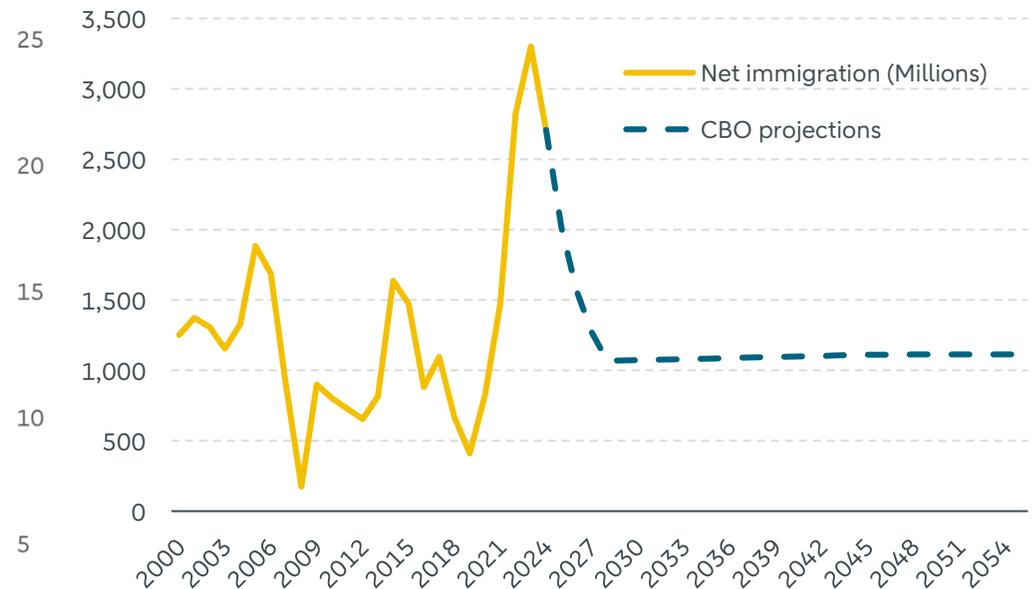
- Population at working age in the US have been declining consistently since years, but a counterforce to this trend has been immigration. With Trump's restrictive policy on immigration, the dependency ratio, measured by the non-working age population relative to working age, is expected to worsen.
- Health-care related spending could fuel further fiscal deficit as well as a wage-inflation spiral in the healthcare sector, but is on the markets front, an interesting thematic opportunity to consider.

US Population expected to age in the years ahead



Sources: Yearly data from 1960 to 2024, Projections from US Census, UN WPP and FRED ABN AMRO Investment Solutions.

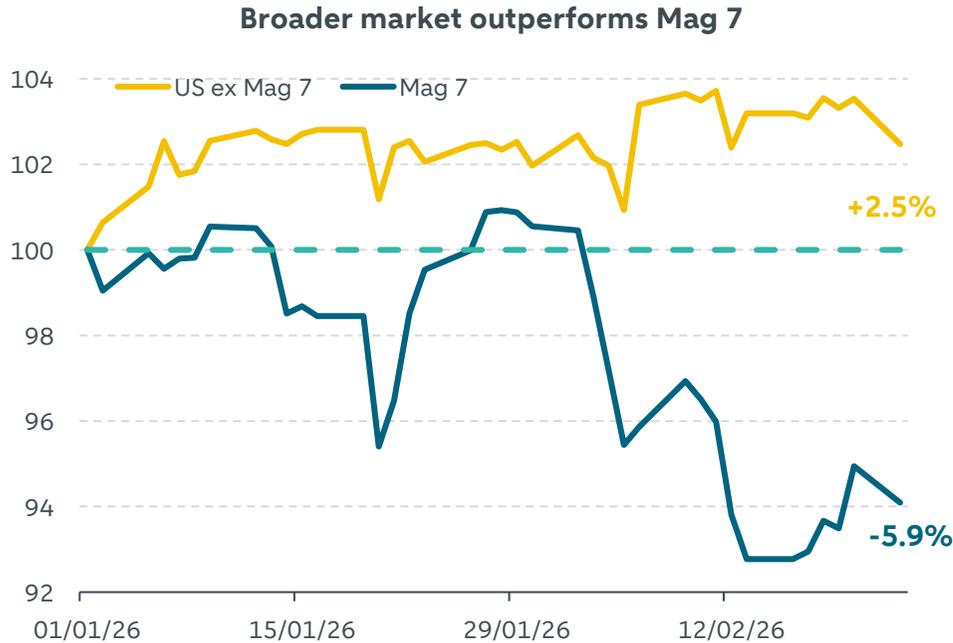
Trump's crackdown on immigration



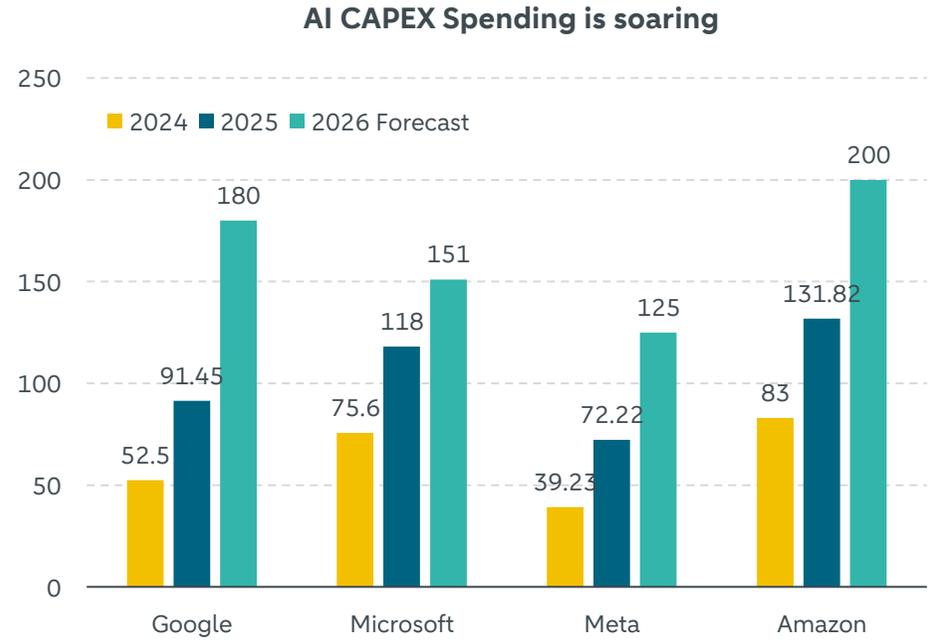
Sources: CBO, Yearly data from 2000 to 2055, ABN AMRO Investment Solutions

While markets have seen the “Great Rotation”..

- Fears from AI disruptions have been fuelling a rotation out of the Tech sector and into value stocks. AI has also been hit due to huge CAPEX spending announcements from mega caps despite a mostly upbeat earnings season.
- Mag 7 used to drive the broader market’s performance, but not this time. The equal weighted SP 500 outperformed the cap-weighted index, and the Mag 7 tumbled in red YtD.



Sources: Bloomberg, daily data from 01/01/2026 to 23/02/2026, ABN AMRO Investment Solutions



Sources: Reuters, Q4 2025 earnings call, ABN AMRO Investment Solutions.

Business cycle – Leading indicators (PMI surveys)

► In advanced economies, France’s composite PMI is the only one in contraction and all other countries’ PMIs are expanding. Manufacturing remains in contraction in the Euro Area and Germany.

► In emerging economies, Brazil and Russia have a contracting manufacturing PMI while the services indexes are in expansion territory. Russia’s composite activity contracted in January.

	Composite						Manufacturing						Services					
	08-25	09-25	10-25	11-25	12-25	01-26	08-25	09-25	10-25	11-25	12-25	01-26	08-25	09-25	10-25	11-25	12-25	01-26
Global	52.9	52.5	53.0	52.7	52.0	52.5	50.9	50.7	50.9	50.5	50.4	50.9	53.3	52.9	53.5	53.2	52.4	52.7
USA	54.6	53.9	54.6	54.2	52.7	53.0	53.0	52.0	52.5	52.2	51.8	52.4	54.5	54.2	54.8	54.1	52.5	52.7
Euro area	51.0	51.2	52.5	52.8	51.5	51.3	50.7	49.8	50.0	49.6	48.8	49.5	50.5	51.3	53.0	53.6	52.4	51.6
France	49.8	48.1	47.7	50.4	50.0	49.1	50.4	48.2	48.8	47.8	50.7	51.2	49.8	48.5	48.0	51.4	50.1	48.4
Germany	50.5	52.0	53.9	52.4	51.3	52.1	49.8	49.5	49.6	48.2	47.0	49.1	49.3	51.5	54.6	53.1	52.7	52.4
UK	53.5	50.1	52.2	51.2	51.4	53.7	47.0	46.2	49.7	50.2	50.6	51.8	54.2	50.8	52.3	51.3	51.4	54.0
Japan	52.0	51.3	51.5	52.0	51.1	53.1	49.7	48.5	48.2	48.7	50.0	51.5	53.1	53.3	53.1	53.2	51.6	53.7
Spain	53.7	53.8	56.0	55.1	55.6	52.9	54.3	51.5	52.1	51.5	49.6	49.2	53.2	54.3	56.6	55.6	57.1	53.5
Italy	51.7	51.7	53.1	53.8	50.3	51.4	50.4	49.0	49.9	50.6	47.9	48.1	51.5	52.5	54.0	55.0	51.5	52.9
Brazil	48.8	46.0	48.2	49.6	52.1	49.9	47.7	46.5	48.2	48.8	47.6	47.0	49.3	46.3	47.7	50.1	53.7	51.3
Russia	49.1	46.6	50.2	50.1	50.0	52.1	48.7	48.2	48.0	48.3	48.1	49.4	50.0	47.0	51.7	52.2	52.3	53.1
China	51.9	52.5	51.8	51.2	51.3	51.6	50.5	51.2	50.6	49.9	50.1	50.3	53.0	52.9	52.6	52.1	52.0	52.3
India	63.2	61.0	60.4	59.7	57.8	58.4	59.3	57.7	59.2	56.6	55.0	55.4	62.9	60.9	58.9	59.8	58.0	58.5
South Korea							48.3	50.7	49.4	49.4	50.1	51.2						
Taiwan							47.4	46.8	47.7	48.8	50.9	51.7						
Turkey							47.3	46.7	46.5	48.0	48.9	48.1						



> 50 and increasing



< 50 and increasing



> 50 and decreasing or unchanged



< 50 and decreasing

Source: Bloomberg, final Markit PMI published at the beginning of each month following the survey, monthly data from 08/25 to 01/26. Note: The Composite Activity Index is a weighted average of the Manufacturing Activity Index and the Services Activity Index. ABN AMRO Investment Solutions

3 Economic calendar

Main economic releases published last weeks

Date	Zone	Event	Period	Consensus (Median)	Actual	Prior
02-Feb-26	United States	ISM Manufacturing	Jan	48.5	52.6	47.9
04-Feb-26	China	RatingDog China PMI Composite	Jan	--	51.6	51.3
04-Feb-26	Euro Area	CPI Estimate YoY	Jan P	1.70%	1.70%	1.90%
05-Feb-26	Euro Area	Retail Sales YoY	Dec	1.70%	1.30%	2.30%
05-Feb-26	United Kingdom	Bank of England Bank Rate	Feb	3.75%	3.75%	3.75%
05-Feb-26	Euro Area	ECB Deposit Facility Rate	Feb	2.00%	2.00%	2.00%
06-Feb-26	United States	U. of Mich. Sentiment	Feb P	55.0	57.3	56.4
10-Feb-26	United States	Retail Sales Advance MoM	Dec	0.40%	0.00%	0.60%
11-Feb-26	China	PPI YoY	Jan	-1.50%	-1.40%	-1.90%
11-Feb-26	China	CPI YoY	Jan	0.40%	0.20%	0.80%
11-Feb-26	United States	Change in Nonfarm Payrolls	Jan	65k	130k	50k
11-Feb-26	United States	Unemployment Rate	Jan	4.40%	4.30%	4.40%
12-Feb-26	United Kingdom	GDP QoQ	4Q P	0.20%	0.10%	0.10%
13-Feb-26	Euro Area	GDP SA QoQ	4Q S	0.30%	0.30%	0.30%
13-Feb-26	United States	CPI YoY	Jan	2.50%	2.40%	2.70%
18-Feb-26	United Kingdom	CPI YoY	Jan	3.00%	3.00%	3.40%
19-Feb-26	Euro Area	Consumer Confidence	Feb P	-12.0	-12.2	-12.4
20-Feb-26	Euro Area	HCOB Eurozone Composite PMI	Feb P	51.5	51.9	51.3
20-Feb-26	United Kingdom	S&P Global UK Composite PMI	Feb P	53.2	53.9	53.7
20-Feb-26	United States	Personal Income	Dec	0.30%	0.30%	0.30%
20-Feb-26	United States	Personal Spending	Dec	0.30%	0.40%	0.50%
20-Feb-26	United States	PCE Price Index YoY	Dec	2.80%	2.90%	2.80%
20-Feb-26	United States	GDP Annualized QoQ	4Q A	2.80%	1.40%	4.40%
20-Feb-26	United States	S&P Global US Composite PMI	Feb P	53.1	52.3	53.0
23-Feb-26	Germany	IFO Business Climate	Feb	88.3	88.6	87.6

Sources: Bloomberg and AAIS from 02/01/26 to 02/23/26. P for Preliminary; F for Final. | 12

The opinions expressed above are current as of the date of this presentation and are subject to change.

Main economic releases to watch in the coming weeks

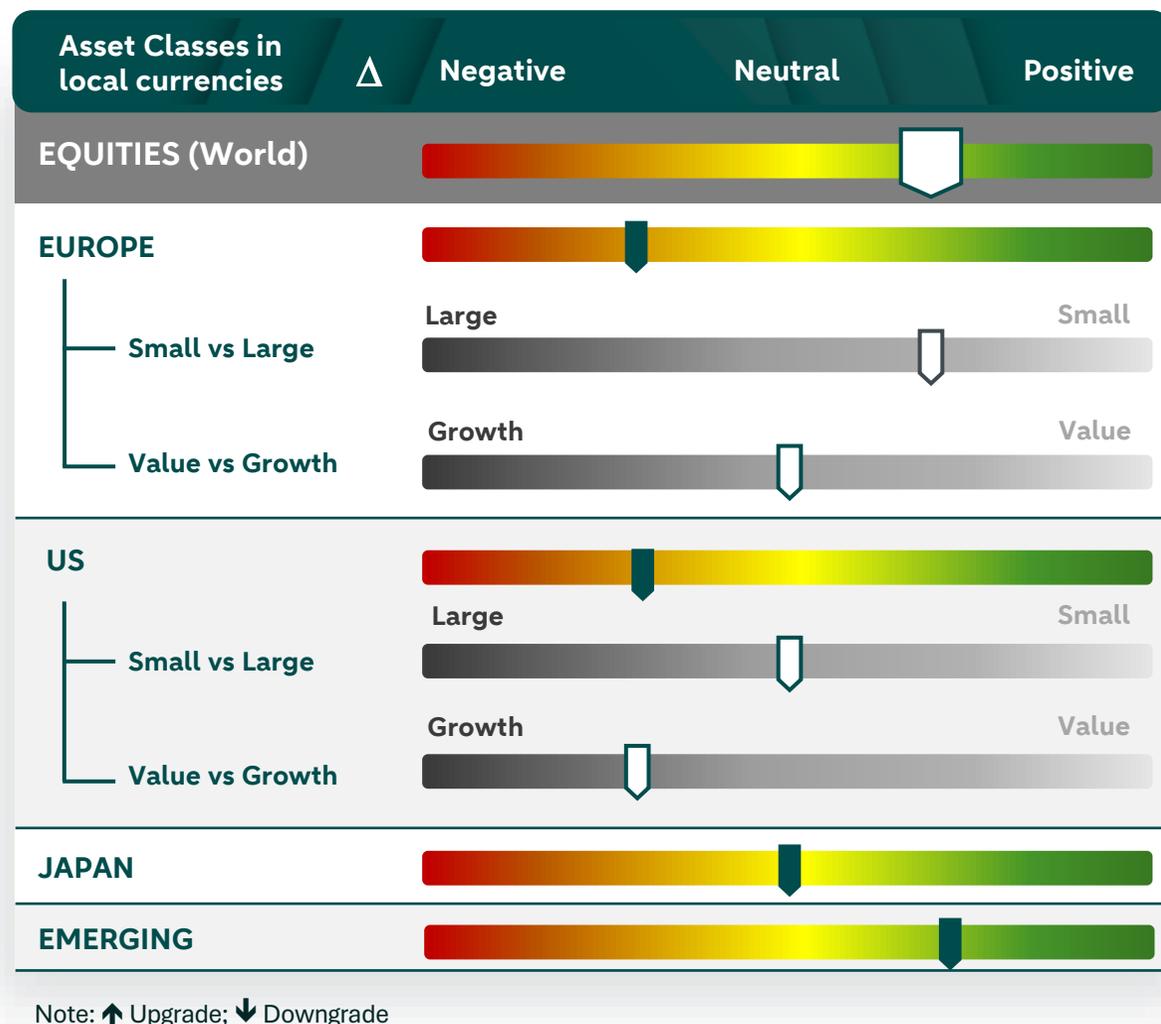
Date	Zone	Event	Period	Consensus (Median)	Prior
02-Mar-26	United States	Retail Sales Advance MoM	Jan	--	0.00%
03-Mar-26	Euro Area	CPI Estimate YoY	Feb P	--	--
04-Mar-26	China	RatingDog China PMI Composite	Feb	--	51.6
05-Mar-26	Euro Area	Retail Sales YoY	Jan	--	1.30%
06-Mar-26	Euro Area	GDP SA QoQ	4Q T	--	0.30%
06-Mar-26	United States	Change in Nonfarm Payrolls	Feb	60k	130k
06-Mar-26	United States	Unemployment Rate	Feb	4.40%	4.30%
09-Mar-26	China	CPI YoY	Feb	--	0.20%
11-Mar-26	United States	CPI YoY	Feb	--	2.40%
13-Mar-26	United States	Personal Income	Jan	--	0.30%
13-Mar-26	United States	Personal Spending	Jan	--	0.40%
13-Mar-26	United States	PCE Price Index YoY	Jan	--	2.90%
13-Mar-26	United States	GDP Annualized QoQ	4Q S	--	1.40%
13-Mar-26	United States	U. of Mich. Sentiment	Mar P	--	56.6
18-Mar-26	United States	FOMC Rate Decision (Lower Bound)	Mar	3.50%	3.50%
19-Mar-26	United Kingdom	Bank of England Bank Rate	Mar	--	3.75%
19-Mar-26	Euro Area	ECB Deposit Facility Rate	Mar	--	2.00%
20-Mar-26	China	1-Year Loan Prime Rate	Mar	--	--
23-Mar-26	Euro Area	Consumer Confidence	Mar P	--	--
24-Mar-26	Euro Area	HCOB Eurozone Composite PMI	Mar P	--	--
24-Mar-26	United Kingdom	S&P Global UK Composite PMI	Mar P	--	--
24-Mar-26	United States	S&P Global US Composite PMI	Mar P	--	--
25-Mar-26	United Kingdom	CPI YoY	Feb	--	3.00%
25-Mar-26	Germany	IFO Business Climate	Mar	--	88.6
26-Mar-26	Germany	GfK Consumer Confidence	Apr	--	--
31-Mar-26	Euro Area	CPI Estimate YoY	Mar P	--	--

Sources: Bloomberg and AAIS from 03/01/2026 to 03/31/2026. P for Preliminary; F for Final.

4 Tactical allocation grids

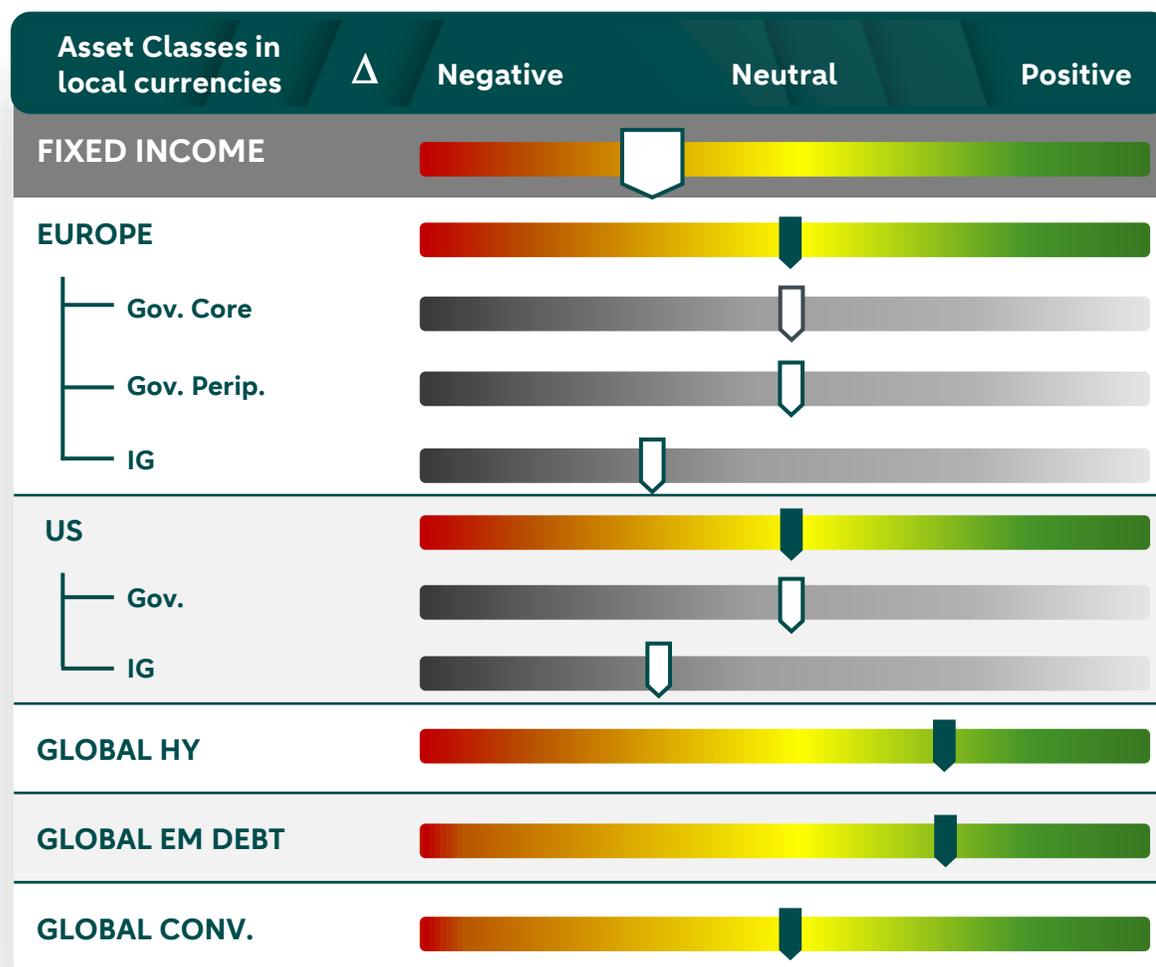
Tactical Equity Allocation Grid: February 2026

- We maintain our simple overweight position on equities as well as our overweight to emerging markets. Volatility has recently picked up across markets following the sharp sell-off in US tech, particularly within software. While the risk of AI-driven disruption is real and a repricing of certain names is not unjustified, we see the recent moves as an overreaction. The decline has been largely indiscriminate, triggered by announcements from private AI companies (notably Anthropic), whereas selectivity is essential. Several players, even within software, remain well positioned to benefit from the AI wave.
- We remain also constructive on two structural themes. First, European defence, beyond the immediate momentum and the ongoing expansion of defence budgets, the sector reflects a broader strategic shift for the continent. Europe is moving toward greater strategic autonomy, marking a clear break from the mindset of previous decades. This is illustrated by Germany's stated ambition to become the leading military power in Europe. In parallel, we also view digitalisation and automation, alongside AI, as long-term transformational drivers. We express this conviction through our overweight to emerging markets, and more specifically via exposure to Chinese technology, which offers strong leverage to these structural trends.



Tactical Bond Allocation Grid: February 2026

- We maintain our underweight stance in fixed income with an OW in HR, but we have reduced our exposure to EM debt from a double overweight to a single overweight, reallocating part of the position into the Euro Aggregate. This adjustment reflects our intention to take profits after the tightening of spreads in EM debt, which now trade at historically expensive levels. That said, we continue to hold a constructive view on this segment, as we believe the macroeconomic drivers supporting EM debt remain intact.
- We also maintain a constructive view on the high yield segment, particularly in Europe. The asset class continues to offer attractive carry, supported by stronger credit quality relative to the U.S. market and persistently low default rates.
- We remain neutral on sovereign bonds, as the risk-reward profile appears less attractive at current yield levels. Term premia are compressed, leaving limited room for further capital appreciation, particularly in the US. We thus prefer European sovereigns, as visibility on the European curve is significantly higher. In contrast, long-term U.S. yields could rise quickly if concerns were to re-emerge about the Fed's independence. Another source of upward pressure comes from mounting worries over debt sustainability, driven by the prospect of a more expansionary Trump fiscal agenda ahead of the elections, as well as the potential reimbursement of previously imposed tariffs.



Note: ↑ Upgrade; ↓ Downgrade

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