

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.

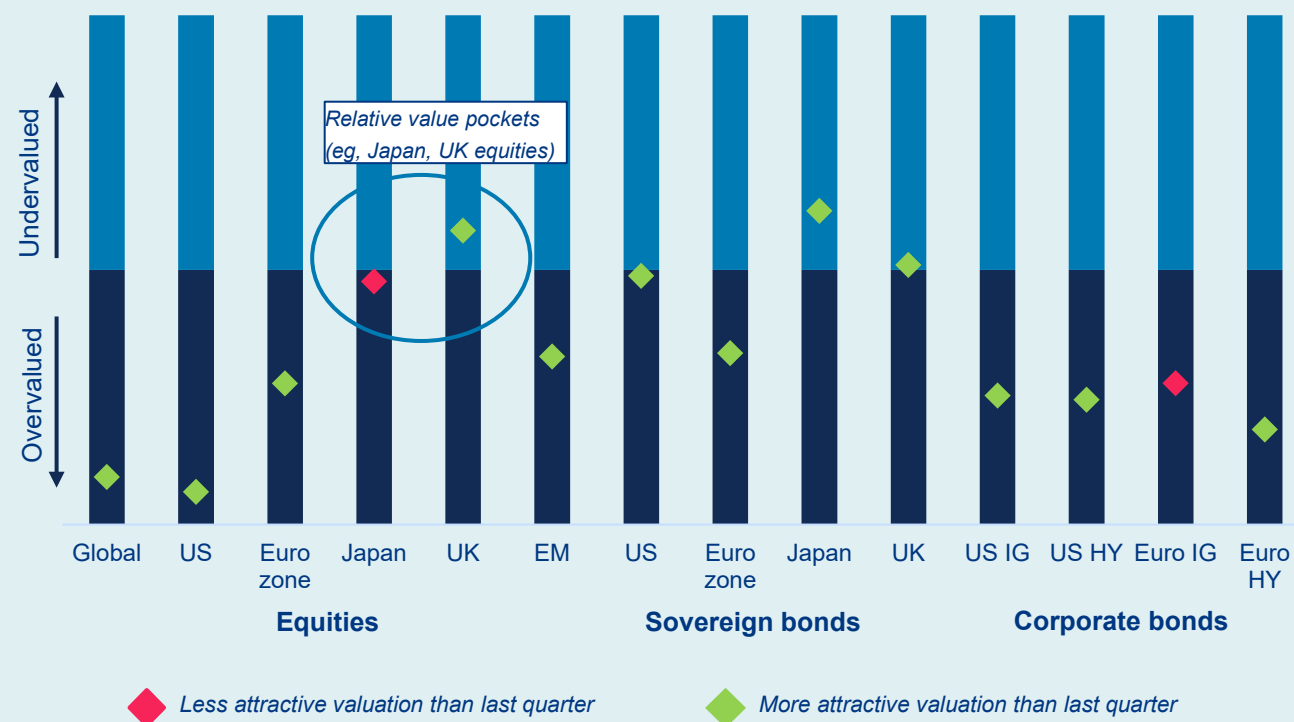
Consensus expectation for global inflation in 2026

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

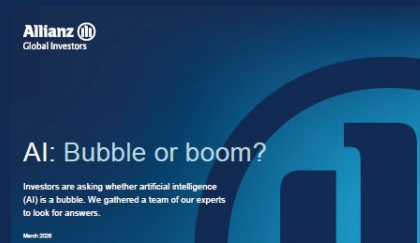
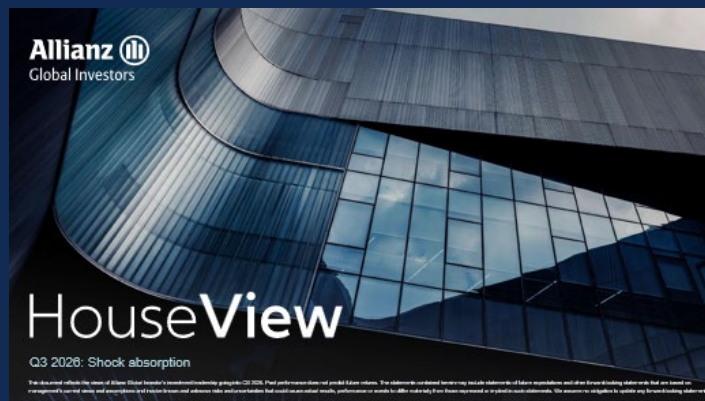
- With uncertainty high, **picking the right securities** matters more than tracking the market. Bond yields have risen but credit markets haven't fully adjusted, **favouring a multi-sector approach tilted towards credit**.
- In emerging markets, **oil exporters look more attractive than importers**. 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**.

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



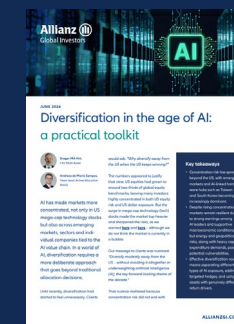
AI disruption: a credit investor's perspective



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



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



Diversification in the age of AI: a practical toolkit

Disclaimer

Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors might not get back the full amount invested.

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.

This is for information only and not to be construed as a solicitation or an invitation to make an offer to buy or sell any securities. The views and opinions expressed herein, which are subject to change without notice, are those of the issuer or its affiliated companies at the time of publication. The data used is derived from various sources and assumed to be accurate and reliable at the time of publication, but it has not been independently verified; its accuracy or completeness is not guaranteed and no liability is assumed for any direct or consequential losses arising from its use, unless caused by gross negligence or willful misconduct. The duplication, publication, extraction or transmission of the contents, irrespective of the form, is not permitted, except for the case of explicit permission by Allianz Global Investors.

This material has not been reviewed by any regulatory authorities.

This document is being distributed by the following Allianz Global Investors companies: In Australia, this material is presented by Allianz Global Investors Asia Pacific Limited ("AllianzGI AP") and is intended for the use of investment consultants and other institutional/professional investors only, and is not directed to the public or individual retail investors. AllianzGI AP is not licensed to provide financial services to retail clients in Australia. AllianzGI AP is exempt from the requirement to hold an Australian Foreign Financial Service License under the Corporations Act 2001 (Cth) pursuant to ASIC Class Order (CO 03/1103) with respect to the provision of financial services to wholesale clients only. AllianzGI AP is licensed and regulated by Hong Kong Securities and Futures Commission under Hong Kong laws, which differ from Australian laws; in the European Union, by Allianz Global Investors GmbH, an investment company in Germany, authorized by the German Bundesanstalt für Finanzdienstleistungs-aufsicht (BaFin) and is authorized and regulated in South Africa by the Financial Sector Conduct Authority; in the UK, by Allianz Global Investors (UK) Ltd. company number 11516839, authorised and regulated by the Financial Conduct Authority (FCA); in Switzerland, by Allianz Global Investors (Schweiz) AG, authorised by the Swiss financial markets regulator (FINMA); in HK, by Allianz Global Investors Asia Pacific Ltd., licensed by the Hong Kong Securities and Futures Commission; in Singapore, by Allianz Global Investors Singapore Ltd., regulated by the Monetary Authority of Singapore [Company Registration No. 199907169Z]; in Japan, by Allianz Global Investors Japan Co., Ltd., registered in Japan as a Financial Instruments Business Operator [Registered No. The Director of Kanto Local Finance Bureau (Financial Instruments Business Operator), No. 424], Member of Japan Investment Advisers Association, the Investment Trust Association, Japan and Type II Financial Instruments Firms Association; In mainland China, it is for Qualified Domestic Institutional Investors scheme pursuant to applicable rules and regulations and is for information purpose only; in Taiwan, by Allianz Global Investors Taiwan Ltd., licensed by Financial Supervisory Commission in Taiwan; in Indonesia, by PT. Allianz Global Investors Asset Management Indonesia is licensed and supervised by Indonesia Financial Services Authority (OJK) — Investment through mutual funds contains risk, before deciding to invest, prospective investors must read and understand the prospectus; and in the Abu Dhabi Global Market by Allianz Global Investors Middle East Limited, which is authorised and regulated by the ADGM Financial Services Regulatory Authority.