

HouseView

Q4 2026: Renewed momentum

This document reflects the views of Allianz Global Investors' investment leadership going into Q4 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.

Our view of global markets

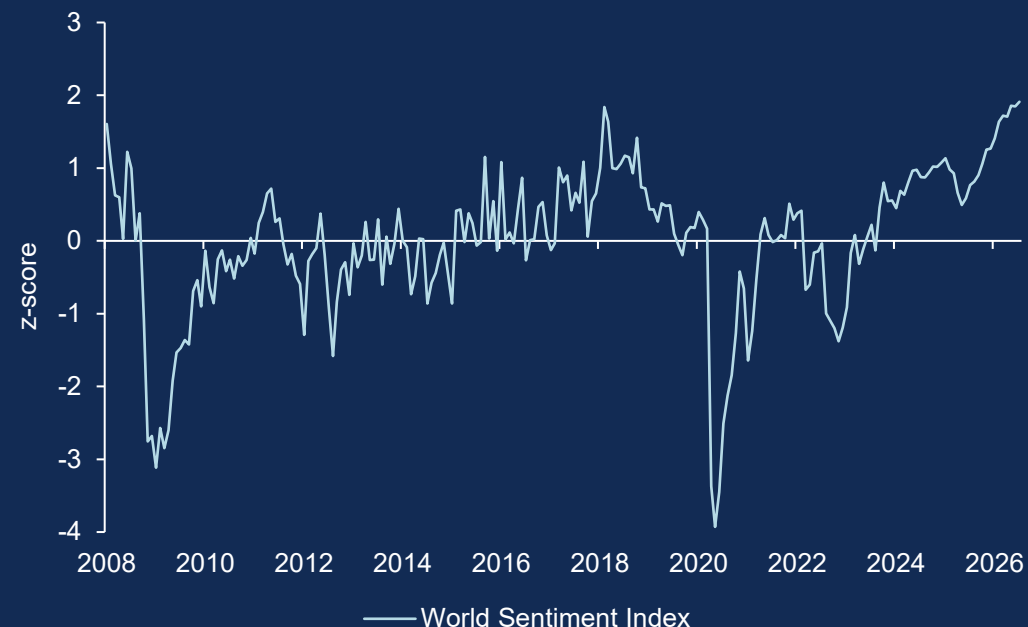
- **The global outlook has brightened. Despite persistent headwinds and above-target inflation, growth has remained resilient.** The US appears set to reaccelerate from a solid base, European growth is outpacing expectations, and China could rebound in Q4.
- **The stronger growth backdrop allows central banks to stay focused on inflation as markets and economies adjust to higher rates.** Following September hikes, we expect the US Federal Reserve (Fed), European Central Bank (ECB) and Bank of Japan to raise rates by a further 25 basis points each by year end.
- **Strong earnings, supported by investment and AI-related spending, should sustain momentum and support both equities and bonds.** Bond yields are moving higher but, given the scale of energy-driven inflation, the adjustment remains orderly. Earnings continue to support credit spreads, while a higher-rate environment may favour cash-generating businesses and value stocks.
- **Amid solid growth and above-target inflation, markets expect forceful central bank action.** After Kevin Warsh's unsettled start as chair, the Fed's independence may need reinforcement. Any hesitation risks reigniting the debate over central bank independence. Growing de-dollarisation, signs of US Treasury-led financial repression and the US mid-term elections warrant caution on the US dollar. Other risks include further Middle East escalation, energy price pressures, softer labour markets and consumer spending, and weaker-than-expected AI returns.
- **Overall, the backdrop remains constructive for risk assets.** After a mid-year soft patch, the global economy appears set for a stronger finish to the year, with Europe especially well placed heading into Q4.



CHART OF THE QUARTER

Confidence returns as momentum rebuilds

After a soft patch earlier in the year, business sentiment has recovered across major economies. While risks remain, improving confidence points to a broader and more durable upswing in growth heading into year end.

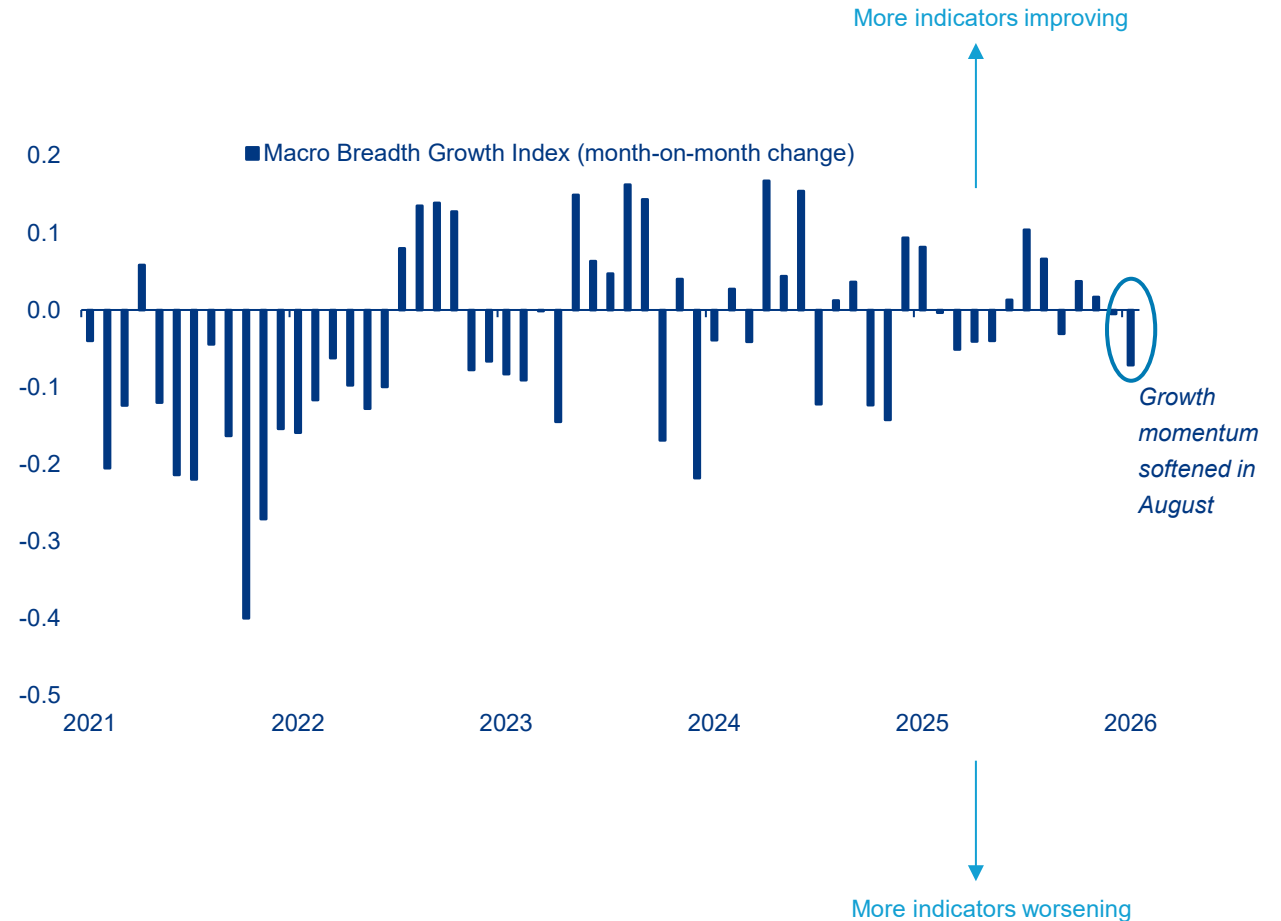


Note: The World Sentiment Index quantifies overall sentiment by considering the occurrence of positive and negative words in the Economist Intelligence Unit country reports. Source: Allianz Global Investors Global Economics & Strategy, Ahir/Bloom/Furceri (data as at 31 July 2026).

Temporary slowdown, stronger finish

Loss of momentum unlikely to last

- **Our index of global growth stumbled in August as activity data softened across several major economies, as we anticipated.** But we think the global economy should rebound from the mid-year loss of momentum as the outlook has improved markedly in recent months.
- **August's data contained green shoots** as overall sentiment held firm, while business confidence improved for a fourth consecutive month, pointing to stronger economic momentum ahead.
- **Regionally, China remained the major weak spot.** Data also softened in the US, UK, Brazil, India and South Korea. But the weakness was partly offset by rapidly returning strength in the euro zone, Japan and Switzerland, alongside a rebound in Canada, Mexico and Turkey.
- **By sector, manufacturing has sustained momentum,** with services increasingly catching up.
- **Taken together, we think the data confirms a brief summer slowdown** before growth picks up to a moderately above-potential pace in the final part of the year.



Our proprietary Macro Breadth Growth Index tracks the direction of 354 global, regional and country macroeconomic indicators on a monthly basis. The monthly change of the index is scaled from -1 to 1, with a value of 1 (-1) implying an increase (decrease) of all underlying indicators. By focusing on the direction rather than the magnitude of change, the indexes enable the evaluation of the breadth of underlying macro trends and are less prone to any historical revisions of the underlying data. Source: Allianz Global Investors Global Economics & Strategy, Bloomberg, Refinitiv (data as at 31 August 2026).

Central banks: not done yet

US

- Better business sentiment, firmer growth and above-target inflation have strengthened the case for higher interest rates.** Fed chair Kevin Warsh delivered the first hike in four years in September, and we expect a further rise of 25 basis points before the end of the year. November’s mid-term elections are also in focus, with polls suggesting Democrats could regain the House of Representatives and potentially even the Senate, limiting the Trump administration’s legislative scope.

Europe

- Fiscal measures, particularly in Germany, increasingly support Europe’s economy and cushion the effects of external shocks.** Yet inflation is still above target and, as an energy importer, Europe remains vulnerable to energy volatility. Following its September rate rise, we expect the ECB to lift rates by another 25 basis points in December. We expect the Bank of England to leave rates unchanged due to competing economic pressures.

Asia

- Faster fiscal stimulus and project spending are expected to provide at least a temporary lift to China’s subdued economy in the final quarter of the year.** Elsewhere in Asia, growth remains comparatively resilient, while Japan’s recovery continues to strengthen. We expect the Bank of Japan to maintain a gradual normalisation path, with a further 25-basis-point increase by year end.

ECONOMIC GROWTH: Europe should outpace consensus expectations

Real GDP, year-on-year %

Location	2026 Bloomberg consensus	2026 AllianzGI forecast vs consensus	2027 Bloomberg consensus
World	3.0	=	3.1
US	2.1	=	2.1
Euro zone	0.8	↑	1.2
Germany	0.9	↑	1.1
UK	1.0	↑	1.1
Japan	0.7	=	0.8
China	4.6	=	4.5

INFLATION: Still uncomfortably high

Inflation, year-on-year %

Location	2026 Bloomberg consensus	2026 AllianzGI forecast vs consensus	2027 Bloomberg consensus
World	4.0	=	3.5
US	3.3	=	2.4
Euro zone	2.8	=	2.3
Germany	2.7	=	2.4
UK	3.1	=	2.5
Japan	1.9	=	2.1
China	1.0	=	1.1

Data as at 3 September 2026.

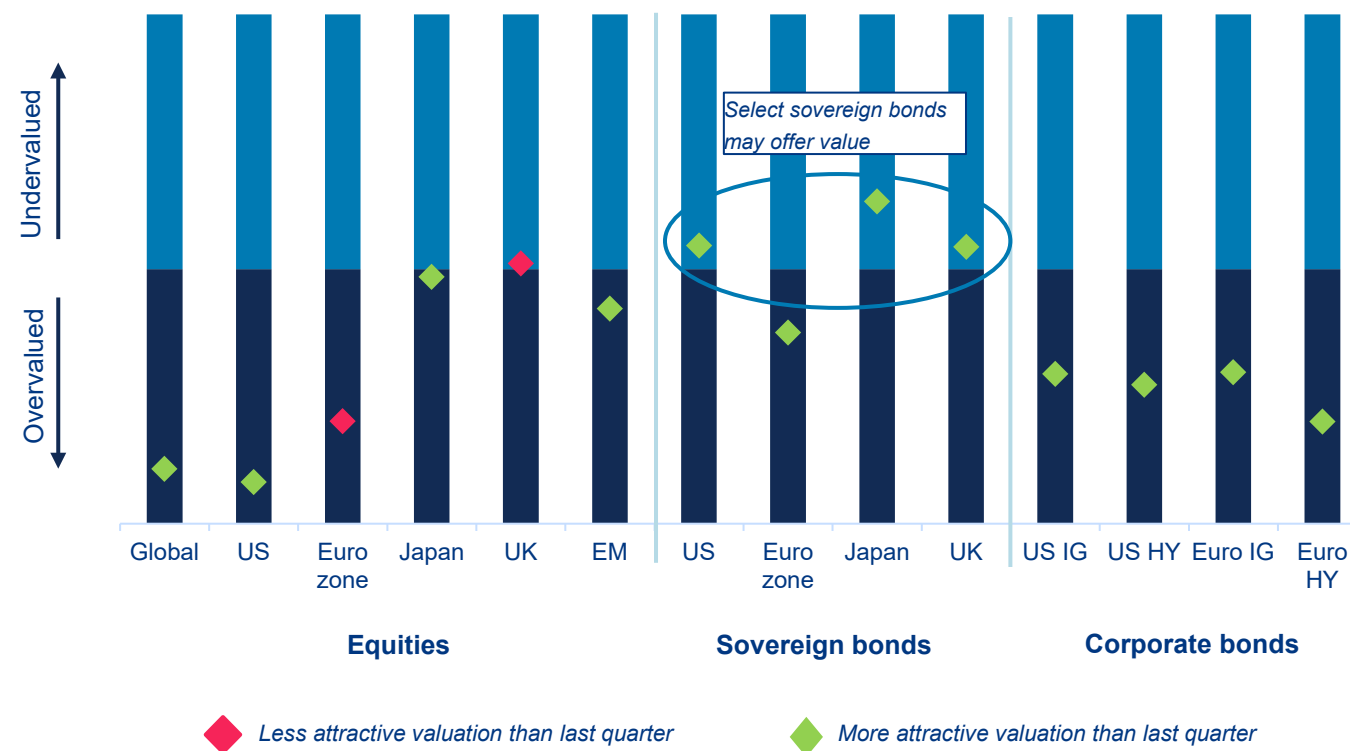
↑ = AllianzGI above consensus ↓ = AllianzGI below consensus = = AllianzGI in line with consensus.

Sovereign bonds lead the value reset

More opportunities are emerging

- **Sovereign bond valuations have declined as yields hit multi-decade highs**, with our analysis suggesting US Treasuries, Japanese and UK government bonds are now undervalued.
- **Several equity markets have also repriced**, led by emerging markets, where recent gains have lagged those in the US.
- **As a result, around a third of the assets we track are now undervalued or close to fair value.**
- In a value-led environment, **repricing may open opportunities for investors positioned for a steeper yield curve or exposed to long-term themes such as AI.**

US, Japan and UK government bonds offer close to fair value, our analysis shows



Calculations by our Economics & Strategy team

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 August 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.

Asset class convictions

Equities

- The AI opportunity set is continuing to **broaden beyond GPUs** as deployment and agentic applications reshape the physical infrastructure of computing, while rising rack density and the limits of copper are driving demand for **optical interconnects, advanced materials and power systems**.
- Electrification also remains supported by **data-centre build-out**, improving industrial orders and infrastructure spending.
- Across Asia, hardware suppliers may benefit from architecture upgrades and component scarcity, while China's deep supply chains are **supporting AI diffusion** across infrastructure, models and applications.
- India continues to combine an **aspirational, consumption-led economy** with favourable geopolitical positioning and a rapidly developing AI ecosystem. In Japan, Prime Minister Sanae Takaichi's **pro-growth economic policy and corporate-governance reforms are providing additional support**.
- Value stocks can **enhance portfolio diversification**. Attractive relative valuations in an environment of higher nominal and real rates may offer upside. Value's different sector and factor exposures also provide a potential counterweight to crowded AI, momentum and long-duration growth positions.

Fixed Income

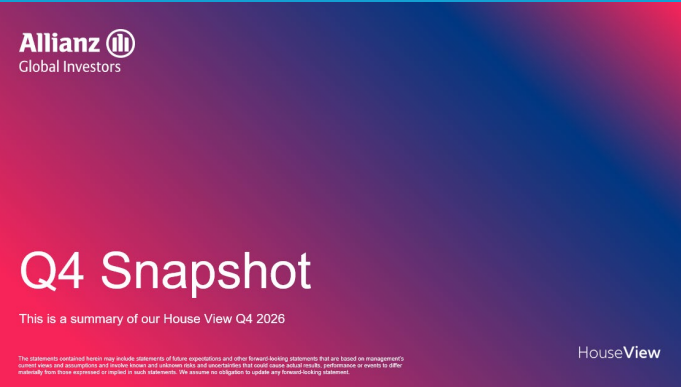
- We expect the **yield curve to steepen** in the US, Germany and Australia. US Treasury Inflation-Protected Securities (TIPS) should outperform given **ongoing upward pressure on energy prices**.
- At the short end of the curve, **German Bunds** may offer better value than US Treasuries. At the long end, **UK Gilts** look attractive relative to other major bond markets. With yields at multi-year highs, we believe investors are **well compensated for the fiscal risks**.
- In emerging markets, we prefer bonds issued by **oil exporters over importers**. We continue to like **Brazilian and Hungarian local bonds** despite strong year-to-date performance.
- Against a broadly neutral outlook for the US dollar, we prefer currency pairs that are less dependent on the direction of the US dollar. We favour **pro-cyclical and high-yielding currencies**, financing these positions through selective low-yielding currencies.
- We continue to see **carry as the key driver of credit returns**. We are constructive on **financials and consumer non-cyclicals**, cautious on cyclical consumer names, and increasingly positive on **selective AI hyperscalers**, where recent spread widening has improved valuations.

Multi Asset

- We are **overweight equities**, with our strongest conviction in **emerging markets**, then Japan, US equities and Europe. This reflects robust earnings growth, positive revisions and continued AI-related capex. **Robotics, biotech and gold miners** offer attractive thematic opportunities.
- We are **neutral to cautious on developed market government bonds** due to sticky core inflation, fiscal concerns, central bank independence questions and priced-in rate hikes. We **prefer European government bonds** but remain cautious on France given election risk.
- We see value in **emerging market bonds**, particularly where real yields are high and fiscal conditions favourable. Energy-exporting emerging markets are particularly attractive. Our credit stance is broadly neutral, preferring **higher-quality investment-grade** exposure.
- Our **currency outlook is neutral**, with no strong directional views in the short term, while in the medium to long term we expect the US dollar to weaken versus G7 currencies.
- Investor demand, fiscal concerns and questions over central bank independence keep **us constructive on gold**. We also **favour broader commodities**, supported by supply constraints, refinery disruptions and tight energy markets.

Discover more insights

Read a summary of our
House View Q4 2026



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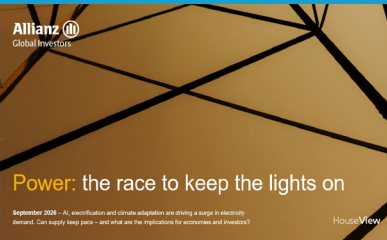
Q4 Snapshot

This is a summary of our House View Q4 2026

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HouseView

Read our latest
House View in
Focus – Power:
the race to keep
the lights on



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Power: the race to keep the lights on

September 2026 – AI, electrification and climate adaptation are driving a surge in electricity demand. Can supply keep pace – and what are the implications for economies and investors?

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Europe is finally executing

For much of the past decade, investors have been waiting for Europe to execute. The continent's efforts to address the challenges of climate change, energy transition, and demographic change have been slow and uneven. But now, the continent is finally starting to execute. This is a good sign for investors, as it suggests that the continent is finally starting to address the challenges that have been holding it back.

What's next? Investors should continue to monitor the continent's progress, as it is still early days. But the continent's efforts to address the challenges of climate change, energy transition, and demographic change are a positive sign for investors.

Key takeaways:

- Europe is finally starting to execute.
- This is a good sign for investors.
- Investors should continue to monitor the continent's progress.

Authors: [Names] | [Date]

Europe is finally
executing



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AI: a credit investor's perspective on the data centre build-out

The rapid growth of AI, along with the associated build-out of data centres, is a major trend in the global economy. This article explores the challenges and opportunities for credit investors in this space.

Key takeaways:

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AI: a credit investor's
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China Technology: five things investors may be missing

Technology in China is undergoing a rapid transformation. This article explores five things that investors may be missing in this space.

Key takeaways:

- Technology in China is undergoing a rapid transformation.
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Authors: [Names] | [Date]

China Technology:
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Footprint and handprint: measuring both sides of a company's impact

Investing in companies is not just about financial returns. It's also about the impact of those companies on the world. This article explores how to measure both sides of a company's impact.

Key takeaways:

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Footprint and handprint:
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When robots start earning their keep

Robots are starting to earn their keep. This article explores the challenges and opportunities for investors in this space.

Key takeaways:

- Robots are starting to earn their keep.
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Authors: [Names] | [Date]

When robots start
earning their keep



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Why investors are rediscovering commodities

Commodities are back in vogue. This article explores the reasons why investors are rediscovering commodities.

Key takeaways:

- Commodities are back in vogue.
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Authors: [Names] | [Date]

Why investors are
rediscovering
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The outlook for Asian fixed income: winners and losers emerge

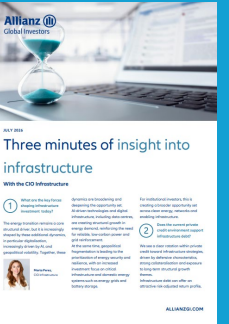
Fixed income in Asia is a complex landscape. This article explores the outlook for Asian fixed income, highlighting winners and losers.

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Authors: [Names] | [Date]

The outlook for Asian
fixed income: winners
and losers emerge



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Three minutes of insight into infrastructure

Infrastructure is a key sector for investors. This article provides three minutes of insight into this sector.

Key takeaways:

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Authors: [Names] | [Date]

Three minutes of
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infrastructure

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