



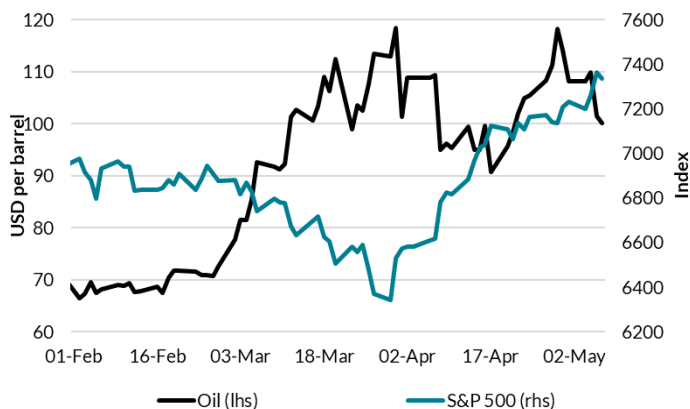
# Asset Allocation Outlook

May 2026\*

- Military de-escalation in the Middle East, but Strait remains closed
- Investment in AI determines differences in growth and earnings
- Neutral equity allocation out of a sense of caution

In our basic scenario for the conflict in the Middle East, we assume that escalation will be followed by de-escalation, and within a reasonably short space of time. We're already seeing a military de-escalation, which has given investors confidence that a solution will be found without an excessive amount of damage to energy infrastructure.

## US equities ignoring high oil prices



Source: LSEG, Van Lanschot Kempen

Yet as long as the Strait of Hormuz stays completely closed to shipping, thanks to blockades by both the Iranians and the Americans, investor confidence will remain fragile. This is visible in the equity markets. Equities soared in emerging markets and the US in April, driven primarily by companies in the value chain for artificial intelligence. In Europe, where there are fewer companies of this type, equities rose by a much smaller amount. And while the S&P 500 is reaching new record highs, the STOXX 600 hasn't yet managed to do so.

Bond investors continue to be cautious too. On balance, yields climbed slightly worldwide in April. Among bond investors, fears of rising inflation are gaining the upper hand over fears of a slowdown in growth.

We've kept our investment policy unchanged. Our neutral position in equities derives mainly from the uncertainty surrounding the outcome of the conflict in the Middle East. The longer it takes to reach a deal, the bigger the damage to the global economy. We continue to hold an underweight in government bonds and investment grade credits. Rising inflation could lead to higher yields and in addition spreads on credits are extremely tight.

## De-escalation or escalation?

The fact that there's a ceasefire between the US and Iran - and that the US has extended this ceasefire - and they are no longer firing missiles at each other is a clear military de-escalation. The unilateral extension of the truce by the US is an indication of the waning US appetite for an armed conflict. Politically, however, there has hardly been any de-escalation. To increase pressure on Iran, the US has also been blocking the Strait of Hormuz since 13 April. As Iran has allowed some Iranian oil tankers through, this translates into an intensification of the blockade of the Strait of Hormuz.

The US and Iran remain far apart when it comes to the conditions each side has set out for ending the conflict. Iran's nuclear programme and its control of the Strait of Hormuz are major sticking points. Talks between the US and Iran are typified by a great deal of mutual distrust and have

\* This document was written on 8 May 2026.

so far failed to yield anything. Each day that the Strait remains closed, the situation on the global energy markets becomes more acute. Tapping into global oil reserves has offered some relief for now, but this isn't a structural solution for the absence of oil production around the Persian Gulf. Following the announcement of the ceasefire and its extension, oil prices dropped to 90 US dollars per barrel. The lack of constructive negotiations pushed oil prices up to 118 US dollars a barrel on 29 April, before they fell again to just above 100 US dollars at the start of May.

Uncertainty therefore remains high. Even if a deal is reached quickly, it will still take some time to restore the flow of oil and gas from the Persian Gulf to normal levels. Oil wells and gas installations will need to be restarted and tankers that are now diverting to other regions will require repositioning. Ship owners must also be confident that the Strait of Hormuz will remain open before they will allow their ships to sail into the Persian Gulf. At the limited level of economic damage we've seen to date, the equity markets in particular will probably be able to look through the start-up phase. However, if the economic damage increases and earnings expectations need to be adjusted downwards, equity markets will not escape unscathed.

### US and Eurozone economies diverging

In the US, growth accelerated from 0.1% in the fourth quarter of 2025 (versus the third quarter) to 0.5% in the first quarter of this year. Growth in fact slowed slightly in the Eurozone, from an already moderate 0.2% in the fourth quarter of last year to 0.1% in the first quarter.



Source: LSEG, Van Lanschot Kempen

The acceleration in the US is somewhat distorted. Growth was hindered in the fourth quarter of last year by the federal government shutdown, which caused a drop in government expenditure. A sharp upturn was visible in the first quarter of this year. Consumer spending grew by very slightly less in the first quarter than in the preceding quarter. In contrast,

corporate investment showed an acceleration. The expansion of AI infrastructure plays a major role here. Investment in information-processing equipment climbed by 30% on an annual basis. This is having an enormous impact on the total economy. Corporate investment accounts for 15% of the GDP, consumer spending 70%. Yet investments made a larger contribution to growth than consumer spending did in the first quarter. Half the domestic growth in the US could be attributed to corporate investment. This investment will remain high, given the announcements by the big tech companies, but growth will level off. We're nevertheless more concerned about consumers. Real consumer spending has already risen faster than real disposable income for four consecutive quarters. Growth in this income declined to 0.4% on an annual basis in March. Consumers are keeping their spending at the same level by saving less. This will only be partly tenable at a savings rate that has fallen to 3.6%. The benefit from the Trump administration's tax cuts is largely being wiped out by the higher energy prices.

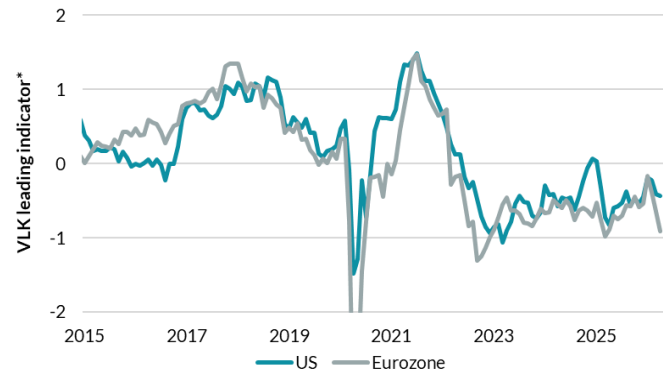
The breakdown of the Eurozone GDP hasn't yet been published, but retail sales remained unchanged in the first two months of the year versus the fourth quarter of last year, while industrial production and production in the construction sector declined. Growth is apparently coming mostly from the service sector. One bright spot is that if we exclude the extremely volatile growth in the Irish economy, the rest of the Eurozone grew by 0.2%.

The difference between the economic data in the US and in the Eurozone can also be seen in the extent to which the data cause positive or negative surprises. In the US, the macro data are higher than expected, albeit less so than earlier this year. Economic data are increasingly worse than expected in the Eurozone.

Looking forward, we can see a similar picture in leading indicators. Confidence among businesses and consumers is declining much faster in the Eurozone than it is in the US.

In conclusion, it looks as if there will be no continuation of the sound economic growth the Eurozone experienced in 2025. We anticipate very moderate growth in the second and third quarters, although there could also be a quarter with contraction. The US economy is running to a considerable degree on investment in AI infrastructure, which will continue in the coming quarters. We expect less support from consumers.

### Leading indicators weakening faster in the Eurozone

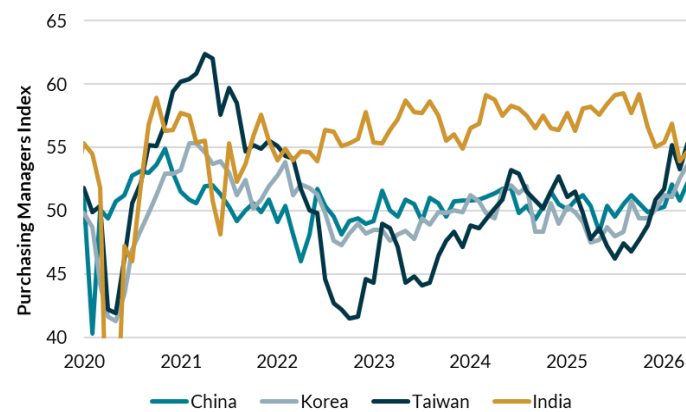


\* Average z-score of several confidence indicators  
Source: LSEG, Van Lanschot Kempen

### Asia: energy versus AI

Asian economies are more dependent than Europe is on oil and gas from the Middle East. This would suggest that they are more vulnerable to high oil prices and the reduced availability of oil and refined products. A number of countries have already announced energy-saving measures. Yet the purchasing manager indices (PMIs) for industry show no signs of pessimism. After falling in March, the indices for Japan, China, Taiwan, Malaysia and India displayed strong upticks in April, to their highest levels in years in the first four countries. In Korea, the index climbed for the second consecutive month to its highest level since February 2022.

### Optimism in Asian industry



Source: LSEG, Van Lanschot Kempen

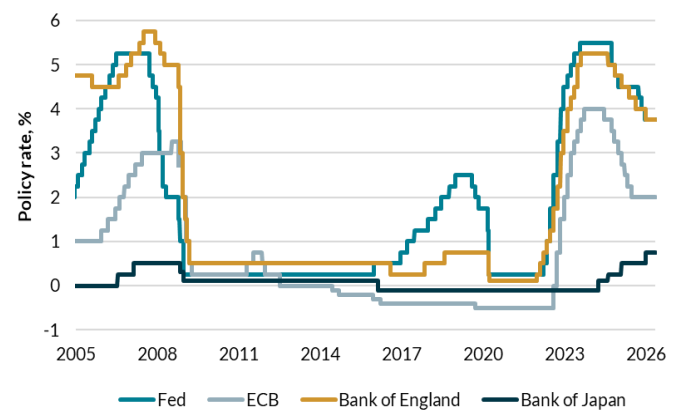
In Indonesia and Vietnam, the indices dropped below 50, which points to declining growth. AI plays a significant role in Korea and Taiwan. The economies of these countries are growing rapidly thanks to the production and export of semiconductors. The Chinese economy likewise runs mostly on exports. For Korea and Taiwan, we need to wait and see whether this growth can be maintained in the event of a scarcity of oil, gas and certain raw materials. China has built up large oil reserves and can shift partly to coal-fired

power stations to generate electricity. Its vulnerability lies more in its dependence on exports in a potentially slowing global economy.

### Central banks on hold

The Fed, ECB, Bank of England and Bank of Japan all left their policy interest rates unchanged in April. This didn't come as a surprise for any of these banks. The central banks did hint at tighter monetary policy though. Fed Chair Powell said that he thought the current interest rate was at the high end of neutral or perhaps mildly restrictive. In doing so, he put it less strongly than he has on previous occasions. Moreover, three policymakers didn't want the post-meeting statement to include a preference for cutting interest rates. This doesn't point to a strong need to cut interest rates. We don't anticipate any cuts to interest rates by the Fed this year. Powell also said that he would stay on as governor when his term as chair ends in May. This is unusual for a Fed chair. Powell will stay until the criminal investigation into the renovation of the Fed's headquarters has been completed. Powell welcomed the Justice Department's decision to drop the investigation but noted that the US attorney for the District of Columbia has kept open the option of restarting it. Powell staying on reduces the likelihood of interest rate cuts. This is because the new chair, Warsh, will take the place of recent appointee Miran, precisely the policymaker who always votes in favour of cutting interest rates.

### Central banks keep interest rates unchanged



Source: LSEG, Van Lanschot Kempen

The ECB looks set to raise interest rates in June. There's now a bigger risk of lower growth and higher inflation according to the ECB. This is a tricky situation for a central bank as lower growth will benefit from a cut to interest rates, while higher inflation calls for rates to be increased. The ECB often says that the only needle in its compass is inflation. In April, headline inflation climbed to 3.0%, substantially above the ECB target of 2%. Core inflation declined to 2.2% though, which raises the question of

whether interest rates need to be cut. Yet the ECB aims to prevent higher energy prices trickling down into the prices of other products, services or wages. Although services inflation declined in April, it remains high at 3.0%. ECB President Lagarde's remarks that the policy committee discussed raising interest rates at length and that the direction of monetary policy is clear certainly point to rates being raised in June. We think the three interest rate hikes before the end of the year priced in by the market are too aggressive.

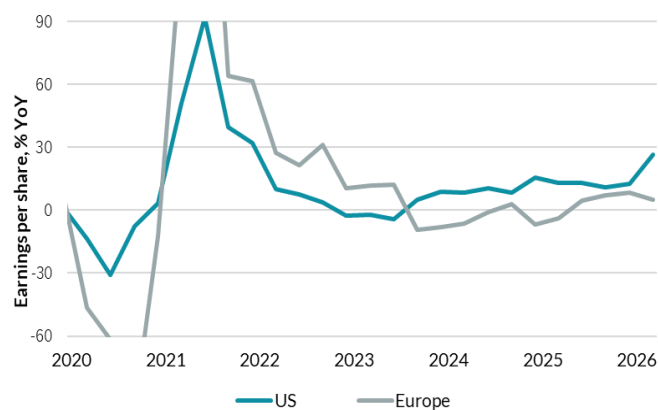
In the UK, a single policymaker voted in favour of raising interest rates, while eight policymakers wanted to keep rates unchanged. At the previous meeting, the policy committee voted unanimously in favour of not altering rates. The BoE published three scenarios for events in the Middle East. In two scenarios, the BoE anticipates inflation of about 3% up to and including the second quarter of 2027. Inflation would rise to 5.6% in the third, negative scenario. The BoE seems in no hurry to raise interest rates. The meeting minutes noted that a central bank needs to look through the initial price shock. After the decision on rates, BoE Governor Bailey said that the bank wasn't giving a message about interest rate hikes. However, the minutes show that there are fears of higher oil prices causing more widespread inflation. This effect could be small because of the weak economic activity. It therefore seems unlikely that interest rates will be raised in June. A hike for July has largely been priced in but isn't a done deal in our view.

The decision-making at the Bank of Japan was slightly closer. Six policymakers voted to keep interest rates unchanged, three to put up rates. The BoJ has been raising rates since March 2024 but doing so calmly and slowly. Rates have been increased four times over a period of more than two years, from -0.1% to 0.75%. The Japanese economy experienced moderate growth in 2025, and leading indicators have recently deteriorated. There is inflation but it's still well below the BoJ's target rate at 1.4% for both headline inflation and underlying inflation in March. The BoJ nevertheless pointed to the risk of higher inflation. The currency market viewed not raising interest rates now as a missed opportunity. The yen weakened, resulting in one US dollar costing over 160 yen. This exceeded the limit set by the BoJ. An intervention on the currency market to the tune of 35 billion US dollars enabled the BoJ to get the yen rate back to 157 yen per US dollar. Since the BoJ started putting up interest rates, the yen has weakened at a slower pace, but Japan's low interest rates continue to affect its currency. We expect this to play a role in the BoJ's policy of increasing interest rates.

## US earnings season more robust than Europe's

More than half the companies in the US and Europe in the S&P 500 and STOXX 600 respectively have already published their results over the first quarter. There are enormous differences between the US and Europe. In the US, earnings growth stands at 28% to date, as much as 20 percentage points higher than expected. It's the biggest positive surprise since the recovery in earnings after the coronavirus pandemic. In Europe, earnings growth so far stands at 11%, nearly 4 percentage points higher than expected. This is an average surprise for Europe.

Strong US earnings growth in first quarter



Source: LSEG, Van Lanschot Kempen

In the US, all sectors succeeded in generating revenue growth, and earnings growth is only negative in the energy and healthcare sectors. Revenue and earnings growth is therefore more broadly supported in the US than in Europe, where only half the sectors have managed to achieve revenue or earnings growth. In the US, earnings growth is strongest at mining and metal companies in the basic industrial sector and in the consumer discretionary, IT and communications services sectors. The big tech companies play a leading role here. Amazon's earnings growth of 75% is boosting the consumer discretionary sector and comparable earnings growth at Alphabet, Meta and Netflix is doing the same in the communications services sector. Without the tech companies, US earnings growth stands at just 6%. In Europe, the energy, financial services and communications services sectors stand out in a positive way. In the latter two, however, this is only thanks to a few extremely large outliers.

We think earnings expectations are optimistic, especially in light of the uncertainty surrounding the conflict in the Middle East. At nominal GDP growth of 5% in the US, earnings growth ought to average 8%. The earnings growth forecast by analysts for this year is far above this level at 20%. Earnings growth is of course higher now than historically due to the dominance of the big tech companies,

but there's a sizeable difference right now between the historical average and current expectations. Earnings growth of 20% normally only occurs when earnings are recovering from a recession. The desired broadening of earnings growth in the US has yet to happen. The amount of the total expected earnings is being adjusted upwards, but most analysts are adjusting their earnings forecasts downwards. The concentration of earnings growth at the big tech companies probably plays a role here too. In Europe, we view expected earnings growth of 13% as ambitious compared to the stagnation in earnings in recent years. And a slowing economy is a risk in our opinion. The number of earnings revisions is much more negative in Europe than in the US.

High oil prices, a slowing global economy, central banks that might raise interest rates and potentially worse-than-expected earnings growth have led us to maintain our neutral equity weight for the time being. The outlook could of course improve rapidly if the US and Iran reach a peace agreement but given the strong rally on the equity markets it remains to be seen how much relief that would bring.

# Tactical outlook

Asset class	
<b>Equities</b>	<b>Neutral</b>
<p>Equity markets rallied in April, with the biggest gains in emerging markets, the US and the Pacific region. Europe underperformed somewhat. The ceasefire in the Middle East brought relief, but the publication of corporate results over the first quarter also helped. The robust earnings growth in the US, Korea and Taiwan stands out. This is all related to the fast-growing investments in AI infrastructure. There are dark clouds on the horizon, however. Even if the war in the Middle East ends quickly, it will lead to lower economic growth, higher inflation and problems in energy supplies. Yet as these effects would abate in the near future, equity markets would look past them and ultimately breathe a sigh of relief. The situation will be different if the conflict lasts for longer and energy supplies from the Gulf region are halted for an extended period. In this case the negative effects for growth, inflation and corporate earnings will quickly become visible. Central banks would raise interest rates, which would also be negative for equities. This isn't our basic scenario but given the huge amount of uncertainty we've retained our neutral equity weight. We also hold a neutral regional allocation.</p>	
<b>Equity sectors</b>	<b>Overweight in IT Overweight in financial services</b>
<p>The relief on the equity markets was visible in the financial services and IT sectors as well. The IT sector climbed nearly twice as much as the equity index for industrialised nations, while financial services lagged slightly behind. We view the ongoing and potentially underestimated investments in AI as a powerful structural growth engine for the IT sector. Our expectation is that further earnings growth rather than a further upturn in valuations will drive returns. Expected earnings growth is significantly higher than the historical average and analysts are adjusting their forecasts upwards across the board. Despite this strong outlook, valuations are attractive compared to the general equity market. We continue to see positive earnings momentum for the financial services sector overall. Although upward revisions to expected earnings are smaller than for IT, they're still higher than the average for the whole market. Upward revisions are also supported broadly in the financial services sector. Sector valuations are the same as those of the market. Lending picking up and reasonable growth, whereby we anticipate small-scale credit losses, are positive for banks.</p>	
<b>Government bonds</b>	<b>Underweight</b>
<p>Bond yields climbed again in April, although the upturns were much smaller than those in March. Market expectations for policy interest rates declined in the first half of the month but increased in the second. No further changes to interest rates are expected for the Fed on balance, while the market anticipates the ECB and Bank of England raising interest rates. Central banks wouldn't necessarily need to increase their interest rates in the event of a short inflation shock, but the surge in inflation following the coronavirus pandemic is still fresh in the minds of central banks and they won't want to wait too long to raise rates. As long as inflation fears continue to prevail, there's a risk of yields rising higher. We've therefore retained our underweight in government bonds.</p>	
<b>Investment grade credits</b>	<b>Underweight</b>
<p>Spreads on investment grade credits tightened in the US and Eurozone in April, cancelling out the increases in March. The peak in spreads is well below the peak reached when the US announced trade tariffs last year, and that peak was small from a historical perspective. This is a sign of how resilient this asset class is. In our basic scenario in which the war in the Middle East ends within a few weeks, we anticipate little damage to corporate balance sheets and in turn no further widening of spreads. The tight spreads nevertheless offer little in the way of a buffer against setbacks. We've amended our strategic asset allocation within this asset class. US investment grade credits no longer form part of our strategic allocation. For this reason, we've completely dismantled our position in the US and hold an underweight in investment grade credits from the Eurozone.</p>	
<b>High yield credits</b>	<b>Neutral</b>
<p>Spreads on high yield credits likewise tightened in the US and Eurozone in April, by a larger amount in the Eurozone but not enough to completely overturn the increase in March. In the US, the increases in February and March were almost entirely cancelled out. Turmoil in private credit, caused in part by concerns about disruption to software companies by AI, continued to overshadow the market somewhat, especially in the US. The Eurozone suffered more from its greater dependence on foreign fossil fuels though. This matches what we saw in equities, whereby Europe is underperforming versus the US. We've retained our neutral outlook for high yield credits. At reasonable economic growth in the US and Europe, we don't expect spreads to widen. The spreads generate a reasonable additional return versus government bonds. The tight spreads lead us to believe that there's little upward potential for high yield credits, while the downside risks in the event of poor economic growth are growing.</p>	
<b>Emerging market debt</b>	<b>Neutral</b>
<p>As yields on US government bonds rose marginally in April, yields on emerging market debt listed in US dollars decreased by slightly less than spreads tightened. The downturn in yields in April was also much smaller than the upturn in March. On balance, yields are therefore higher than they were at the end of February prior to the outbreak of the war in the Middle East. This also applies to bonds listed in local currency, for which yields declined by a small amount compared to the gain in March. Emerging market debt offers attractive interest compensation, even though spreads on bonds listed in US dollars are tight. We view rising yields in the US as a risk to this asset class. The desire for a weaker US dollar isn't negative. Bonds listed in local currency have profited from interest rate cuts by central banks, but we expect a reversal here. On balance, we retain our neutral outlook for this asset class.</p>	

<b>Listed real estate</b>	<b>Neutral</b>
<p>Listed real estate climbed worldwide and in all regions in April. A rally occurred in April after last month's downturn due to the war in the Middle East, even though the conflict continues and the pressure from rising bond yields remains. The biggest upturns were in the US, while Japan and Europe saw smaller increases. As energy importers these regions are also affected more by the conflict in the Middle East. We hold a neutral outlook for this asset class. Vacancy levels are slightly higher in the US than in Europe. In the long term, however, rental growth in real estate will be boosted by a smaller supply of new properties. In both the US and Europe, we see little potential for yields coming down from present levels. While the conflict persists, there's a risk of rising inflation forecasts and higher long-term bond yields. The altered market expectations for policy interest rates look set to stay: in the US, the Fed has adopted a wait-and-see stance; the market anticipates three interest rate increases in Europe. We think global developed listed real estate valuations are expensive compared to interest rates, while Europe has a neutral valuation.</p>	
<b>Commodities</b>	<b>Neutral</b>
<p>The Bloomberg general commodity index was reasonably stable in April. Oil and gas prices remained high and volatile due to the ongoing conflict between the US, Israel and Iran. In early April, a ceasefire pushed oil prices down to below 100 US dollars per barrel, but after it became clear that the Strait of Hormuz would stay closed and negotiations had stalled, they again climbed to 110 US dollars per barrel at the end of the month. How prices evolve will depend chiefly on the length of the conflict and how much it spreads. There's considerable uncertainty about this, with signs of both escalation and de-escalation from the US and Iranian governments. The closure of the Strait of Hormuz in particular could have implications for oil and gas prices. In our basic scenario, we assume that the conflict will last weeks rather than months, with the expectation that prices will fall again - albeit to a structurally higher level than prior to the start of the conflict. The longer the conflict lasts, the longer the negative effects will be visible, including expected higher energy prices. The price of gold has so far not proved to be a safe haven during the Middle East conflict and remained relatively stable at about 4,600 US dollars per troy ounce as of the end of April. Gold can be a refuge for investors at times of (geopolitical) uncertainty. However, factors such as rising bond yields and profit-taking by investors (the gold price was historically high with a heightened speculative nature) have to date outweighed the geopolitical turbulence. Although in the shorter term a slowdown in (Chinese) economic growth will have a downward effect on demand for metals and on prices, copper looks especially well positioned in the longer term for structural trends such as the energy transition and AI.</p>	
<b>US dollar - euro</b>	<b>Neutral</b>
<p>While the US dollar acted as a safe haven during the escalation of the conflict in the Middle East, the ceasefire and prospect of a solution to the conflict led to the US dollar weakening versus the euro. The US currency reached its highest level of 1.14 US dollars per euro on 13 March but had weakened to 1.16 US dollars per euro at the end of April. This restores the US dollar to the level we saw in the second half of 2025. A higher expected policy interest rate in the Eurozone caused German 2-year bond yields to rise. This reduced the difference in yields between the US and Germany and means that the US dollar rate is once again in line with this difference in yields. The US dollar isn't particularly cheap in fundamental terms. We continue to see enough capital flowing towards the US in the shape of short-term and long-term investments to shore up the US dollar. On balance, we anticipate a sideways movement in the rate.</p>	

# Market review

## Equities

	Index	Past month	Past 3 months	From 31-12-2025
Global (MSCI AC)	1077	10.0%	3.1%	6.2%
Developed markets (MSCI World)	4661	9.4%	2.9%	5.2%
Emerging markets (MSCI EM)	1600	14.5%	4.7%	13.9%
United States (S&P 500)	7209	10.4%	3.9%	5.3%
Eurozone (EURO STOXX 50)	611	4.8%	0.0%	3.2%
United Kingdom (FTSE 100)	10379	2.0%	1.5%	4.5%
Japan (Topix)	3727	6.6%	4.5%	9.3%
Netherlands (AEX)	1014	5.7%	1.2%	6.6%

## Government bonds (10-year)

	Yield (%)	Past month (bp)	Past 3 months (bp)	From 31-12-2025 (bp)
United States	4.39	7	14	23
Japan	2.52	17	27	45
Germany	3.03	2	19	18
France	3.69	-4	26	13
Italy	3.87	-4	40	36
Netherlands	3.09	0	17	13
United Kingdom	5.02	10	50	55

## Investment grade credit

	Risk premium (bp)	Past month (bp)	Past 3 months (bp)	From 31-12-2025 (bp)
United States	81	-9	7	2
Eurozone	80	-15	9	2

## High yield bonds

	Risk premium (bp)	Past month (bp)	Past 3 months (bp)	From 31-12-2025 (bp)
United States	283	-45	3	2
Eurozone	280	-57	17	10
Emerging markets (USD)	248	-41	3	-5
Emerging markets (Local currency)	224	-18	18	9

## Real estate

	Past month	Past 3 months	From 31-12-2025
Global	8.3%	4.1%	8.2%
North-America	8.9%	9.6%	12.8%
Europe	5.0%	-3.8%	-0.5%

## Commodities

	Past month	Past 3 months	From 31-12-2025	
Bloomberg index	4.2%	17.5%	29.6%	
Base metals	5.0%	3.9%	9.8%	
Brent oil (USD per barrel)	114.15	-3.5%	61.4%	87.6%
Gold (USD per troy ounce)	4620	-0.1%	-8.2%	6.8%

Returns in local currency  
 bp = basis point (0.01%)  
 Data as of 30 April 2026  
 Source: LSEG, Van Lanschot Kempen

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