

Equity Strategy

Stabilization in bond yields, if confirmed, will go a long way to support stocks

- We argued two weeks back that **the spike in bond yields was showing signs of getting stretched**, and that bonds were entering oversold territory - see [October Chartbook](#). Around that time, our credit team highlighted that the **sentiment in credit has likely become too negative** - see their [report](#). We remain of the view that the rise in bond yields likely got overdone, our fixed income team has end-year [targets](#) for all key markets at long end either flat or lower than current.
- **If bond yields are stabilizing, that will help equities**, through allowing the cycle to look more sustainable, through reducing pressure on AI funding, as well as on consumer finances, and through reducing the drive for P/E compression. Indeed, during the most intense phase of yields spiking, forward P/E for AC World fell by 3 points, for SPX by 3 points and for Europe by 2 points. The multiple compression might not need to continue.
- **Short rates adjustment has largely happened**. It was the move in fed funds futures that pretty much fully explains the move in 10-year yields so far this year - see top chart. We do not look for further repricing of the fed rates, at least not relative to what the market is already factoring in. If this proves correct, the bulk of the upward pressure on long rates might ease.
- **Inflation expectations are staying largely well behaved**, looking at consumer surveys, and at market pricing of inflation, which is also not moving much. The latest inflation prints have been on the hot side in the US, but core inflation runrate that was seen in the months ahead of the start of Iran war is in Europe similar to the period after it, and only somewhat higher in the US, by 0.3%. PPI upmove is so far largely contained in energy-related components. Both the wage growth and wage expectations are staying soft.
- Looking at bonds demand-supply, our house [view](#) is that **AI issuance is unlikely to crowd out government bonds**. Further, FCF of hyperscalers might end up looking better than current projections once the results hit. Also, the evidence of disruptive/disinflationary impact of AI on parts of the economy is likely to build, probably earlier rather than later.
- France remains a concern, with difficult adjustment that is needed. Having said that, **we do not believe the market should position for contagion**. ECB has tools in place to be a credible backstop, Banks' balance sheets are in a much better shape now than during the Euro debt crisis, their holdings of government bonds are less concentrated, and credit defaults are significantly lower.
- Alongside potential easing in bond yields pressure, where **market breadth has narrowed as yields spiked, and vice versa most recently** - see bottom chart, **we are looking for a reassuring Q3 reporting season** - see our [report](#) from last week. The earnings season is in the early stages, with 29 US and 14 European results so far. The concern by investors is that delivery might underwhelm, but so far the majority of results were "beat and raise." The stock price reaction is more mixed in the US, but **in Europe the stock price reactions, even to the mixed delivery**, the expected weakness in consumer space is indeed a soft spot, **have not been too negative**, see for example LVMH. Oil price is a wild card, but if bond yields and earnings deliver as we expect, then equities will be able to perform into year end, in our view.

Equity Strategy

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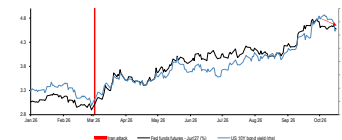
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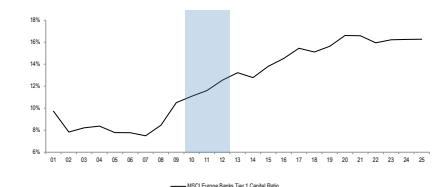
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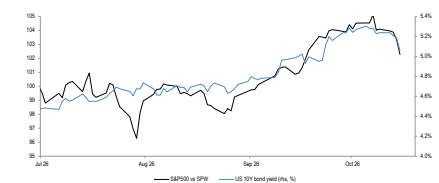
The move higher in 10-year yields reflected the repricing of fed funds... if short yields stabilize, long yields are likely to, as well...



...we advise against positioning for contagion in Europe... among other, Banks are in much better shape than they were in 2010-12...



...bond yields direction has driven the breadth in the market, with rising yields leading to narrowing, and vice-versa most recently



Source: IBES, Bloomberg Finance L.P., Datastream

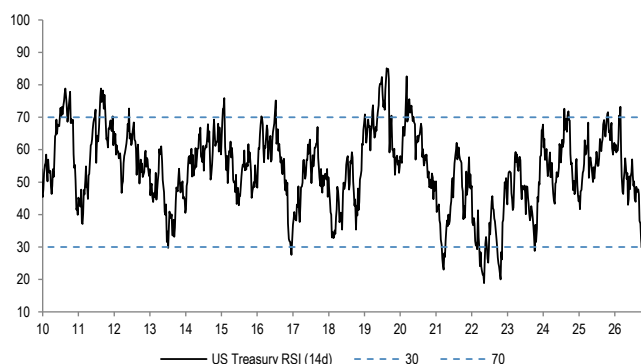
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Stabilization in bond yields, if confirmed, would go a long way to support stocks

Two weeks ago, we called for bond yields to stabilize

Figure 1: US Bonds RSI

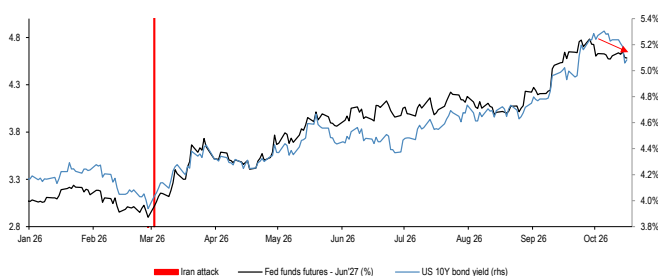


Source: Bloomberg Finance L.P.

Bond yields have sold off sharply this year. In late September, the US 10Y yield crossed 5% for the first time in two decades, peaking around 5.3%. The drivers were a combination of higher energy prices, strong PMI components and hawkish comments from Fed governors.

Two weeks ago, in our [October Chartbook](#), we argued that the bond sell-off was nearing exhaustion and that yields should stabilise. At recent lows, Bonds' RSIs reached oversold levels before rebounding.

Figure 2: Fed funds futures and US 10y bond yield



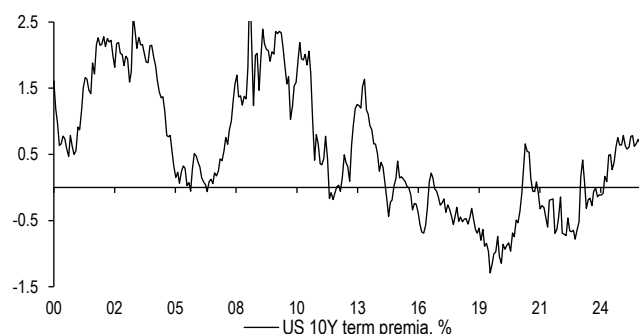
Source: Bloomberg Finance L.P.

The move in fed funds futures explains almost all of the rise in 10Y yields this year. Long-end yields have not moved independently of the front end. We believe this was a repricing of the policy path, not a loss of confidence in inflation or fiscal credibility.

Fed funds futures have moved up by almost 200bp this year, but they are no longer rising. At end September, markets were pricing 39bp of further hikes by year end, but have since

receded to around 26bp.

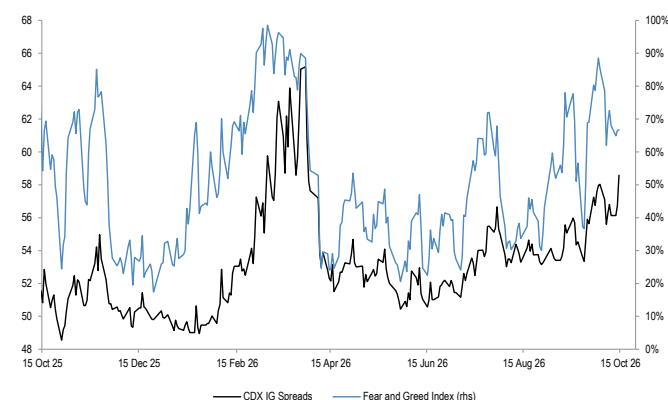
Figure 3: US 10Y term premia



Source: J.P. Morgan.

The term premium is no longer rising. This supports our view that the last leg of the sell-off was largely driven by the policy path.

Figure 4: Historical Fear&Greed Index and CDX.IG Spreads



Source: J.P. Morgan. Credit Strategy

Our credit team has also flagged that sentiment in credit has likely become too negative.

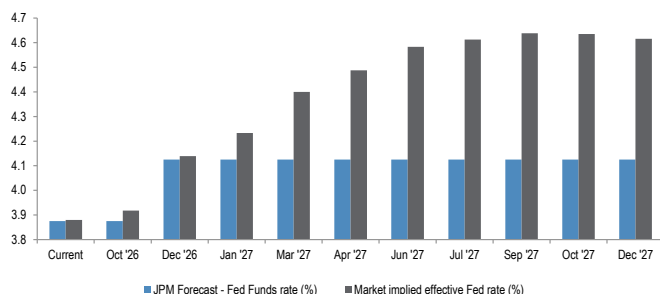
Table 1: JPM 10Y bond yields forecasts

10 Yr Govt BY	Forecast for end of				
	15-Oct-26	Dec 26	Mar 27	Jun 27	Sep 27
US	5.08	5.05	5.10	5.05	5.00
Euro Area	3.37	3.15	3.10	3.00	2.95
United Kingdom	5.34	5.10	4.95	4.75	4.65
Japan	2.90	3.05	3.05	3.15	3.20

Source: J.P. Morgan. Fixed Income Strategy

Our fixed income strategists' year-end targets for long end yields are below current levels in every key market. They expect the US 10Y at 5.05% by December and the Euro Area at 3.15%. The biggest declines are expected in the Euro Area and the UK at 22bp and 24bp, respectively

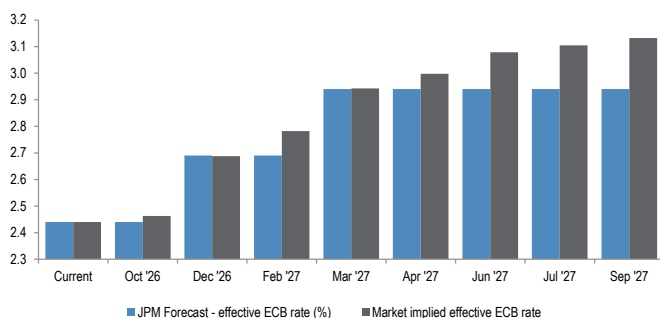
Figure 5: Fed funds rate - JPM forecast and market implied



Source: J.P. Morgan, Bloomberg Finance L.P.

Our economists expect the fed funds rate to go from 4.00% to 4.25% in December and then stay on hold thereafter. Even the hot CPI print did not trigger any meaningful market repricing. We do not expect the fed to be repriced relative to what the market expects. If this proves correct, most of the upward pressure on long rates should ease.

Figure 6: ECB rate - JPM forecast and market implied

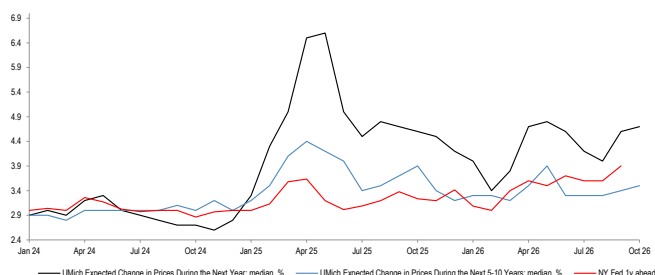


Source: J.P. Morgan, Bloomberg Finance L.P.

The ECB deposit rate is expected to go from 2.50% to 2.75% in December and to 3.00% by March.

Inflation expectations are staying well behaved

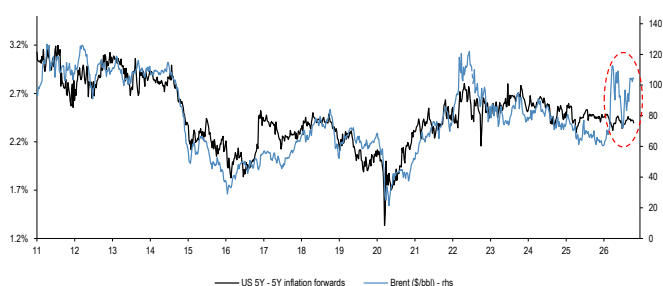
Figure 7: Inflation Expectations



Source: Bloomberg Finance L.P., NY Fed

Consumer surveys show expectations remain anchored.

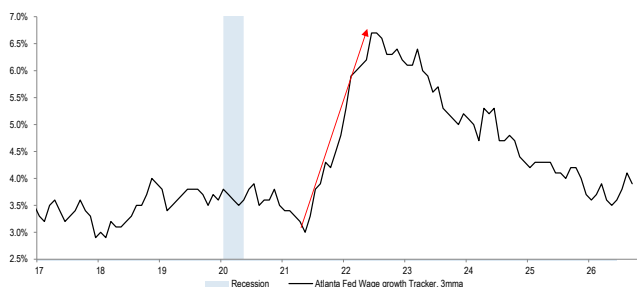
Figure 8: US 5y-5y inflation forwards and Brent



Source: Bloomberg Finance L.P.

Inflation forwards have held steady and have even edged lower in recent days, even though Brent has climbed back to around \$105.

Figure 9: Atlanta wage growth tracker



Source: Bloomberg Finance L.P.

Both wage growth and wage expectations remain soft, and labour markets are mixed. Without wage pressure, we believe the energy shock is unlikely to turn into persistent core inflation.

Table 2: US Inflation - Before and After US - Iran War

Date	US CPI (%yoy)	US Core CPI (%yoy)	US CPI (%mom)	US Core CPI (%mom)
Jul-25	2.7%	3.1%	0.2%	0.3%
Aug-25	2.9%	3.1%	0.3%	0.3%
Sep-25	3.0%	3.0%	0.3%	0.2%
Nov-25	2.7%	2.6%	-	-
Dec-25	2.7%	2.6%	0.3%	0.2%
Jan-26	2.4%	2.5%	0.2%	0.3%
Feb-26	2.4%	2.5%	0.3%	0.2%
Mar-26	3.3%	2.6%	0.9%	0.2%
Apr-26	3.8%	2.8%	0.6%	0.4%
May-26	4.2%	2.9%	0.5%	0.2%
Jun-26	3.5%	2.6%	-0.4%	0.0%
Jul-26	3.4%	2.5%	0.1%	0.2%
Aug-26	3.4%	2.4%	0.4%	0.3%
Sep-26	3.7%	2.6%	0.6%	0.3%
Average				
Before War	2.7%	2.8%	0.3%	0.3%
After War	3.6%	2.6%	0.4%	0.2%
Median				
Before War	2.7%	2.8%	0.3%	0.3%
After War	3.5%	2.6%	0.5%	0.2%

Source: Bloomberg Finance L.P.

The latest U.S. inflation prints have been on the hot side. Even so, the core run rate is only 0.2pp above its pace in the months before the war.

Table 3: Euro area inflation - Before and After US - Iran War

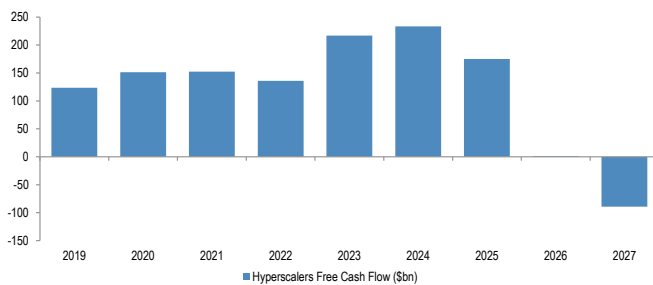
Date	Euro area CPI (%yoy)	Euro area Core CPI (%yoy)	Euro area CPI (%mom)	Euro area Core CPI (%mom)
Jul-25	2.0%	2.3%	0.0%	-0.1%
Aug-25	2.0%	2.3%	0.1%	0.3%
Sep-25	2.2%	2.4%	0.1%	0.1%
Oct-25	2.1%	2.4%	0.2%	0.3%
Nov-25	2.1%	2.4%	-0.3%	-0.5%
Dec-25	2.0%	2.3%	0.2%	0.4%
Jan-26	1.7%	2.2%	-0.6%	-1.1%
Feb-26	1.9%	2.4%	0.6%	0.8%
Mar-26	2.6%	2.3%	1.3%	0.8%
Apr-26	3.0%	2.2%	1.0%	0.9%
May-26	3.2%	2.6%	0.1%	0.3%
Jun-26	2.8%	2.4%	-0.1%	0.2%
Jul-26	2.9%	2.5%	0.2%	0.0%
Aug-26	3.2%	2.4%	0.4%	0.2%
Sep-26	3.8%	2.5%	0.6%	0.2%
Average (7m)				
Before War	2.0%	2.3%	0.0%	-0.1%
After War	3.1%	2.4%	0.5%	0.4%
Median (7m)				
Before War	2.0%	2.3%	0.1%	0.1%
After War	3.0%	2.4%	0.4%	0.2%

Source: Bloomberg Finance L.P.

Europe has also seen a modest uptick in inflation trends. This is far from the broad inflation acceleration that would justify another leg higher in long yields.

AI issuance is unlikely to crowd out government bonds

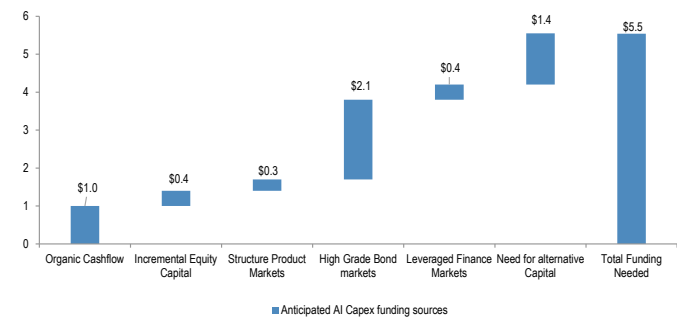
Figure 10: Hyperscalers Free Cash Flow (\$bn)



Source: Bloomberg Finance L.P.

Hyperscaler FCF is forecast to turn negative in 2027, which suggests that funding from credit markets is likely to drive more of the AI buildout going forward.

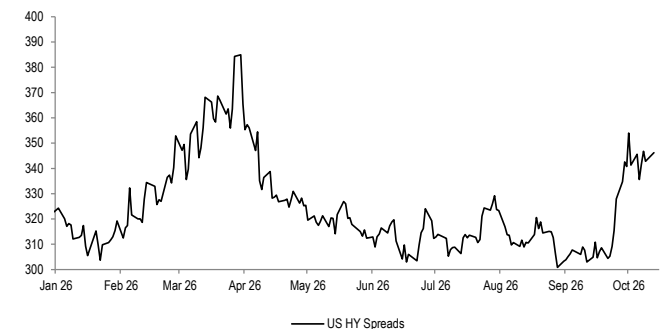
Figure 11: Anticipated AI Capex funding sources (\$bn)



Source: J.P. Morgan.

Our [house view](#), however, is that it is unlikely to crowd out government bonds. Our credit team expects the market to absorb the extra supply with only a limited impact on spreads. Our Cross-Asset team [estimates](#) that the roughly \$260bn of additional high-grade supply would lift yields by only about 5-10bp.

Figure 12: US HY Credit Spreads ytd



Source: Bloomberg Finance L.P.

Credit spreads have widened in recent weeks but remain contained by historical standards. The move reflects a repricing of yields and political risk, not a fundamental deterioration in credit. With sentiment likely too negative, spreads should tighten if yields stabilise.

Consumers will also see relief from lower yields

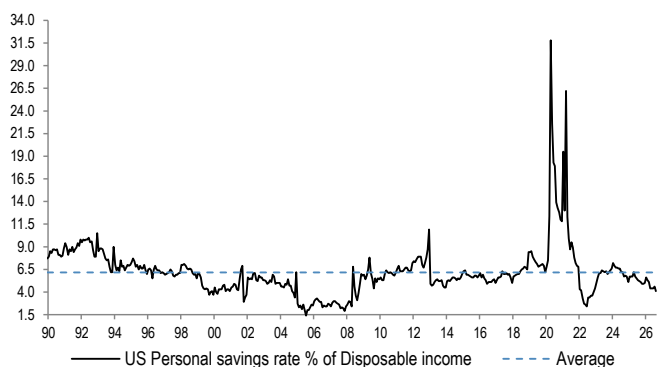
Figure 13: US Retail Sales Control Group



Source: Bloomberg Finance L.P.

U.S. consumers have so far been resilient in the wake of pressures arising from higher borrowing costs and rising fuel and energy bills. However, the pressures are building.

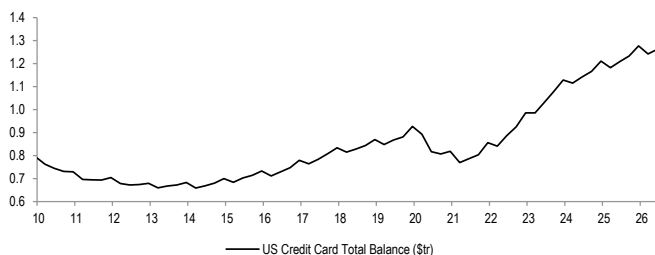
Figure 14: US Savings Rate (%)



Source: Bloomberg Finance L.P.

Savings built up during the pandemic have largely run out.

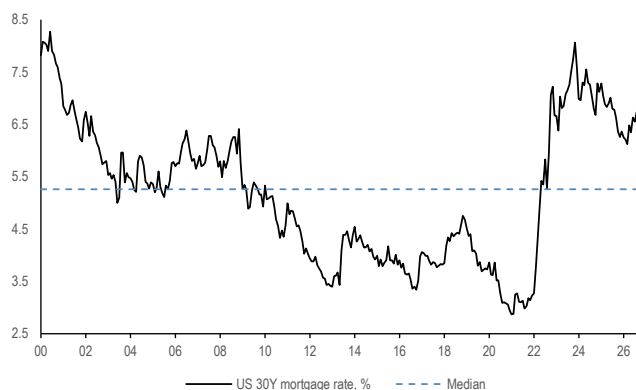
Figure 15: US Credit Card Total Balance (\$tr)



Source: NY Fed

Lower-income households are feeling it the most, and the strain is starting to show in more cautious spending and rising credit card balances.

Figure 16: US 30Y mortgage rate

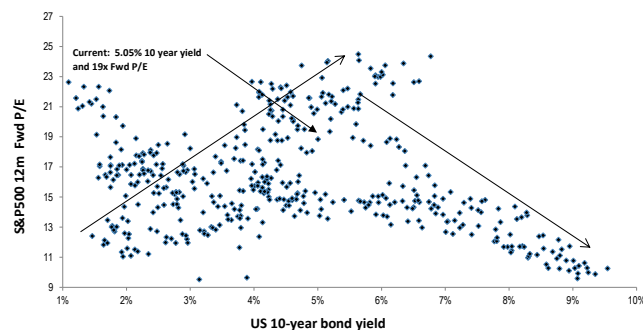


Source: Bloomberg Finance L.P.

Lower yields should offer some relief. A pullback in Treasury yields would ease mortgage rates and other borrowing costs, help households refinance and support confidence through higher asset prices. That won't fully offset the energy shock, but it should soften the blow to spending in the coming months.

Stabilizing yields would ease concerns around equity multiple compression

Figure 17: S&P500 12m Fwd P/E and US 10Y bond yield



Source: Datastream

Historically, higher bond yields have generally been favourable for equity multiples, with both showing directional correlation. However, the relationship tends to flip at higher levels of yields.

Table 4: Change in 12m fwd P/E for key regions

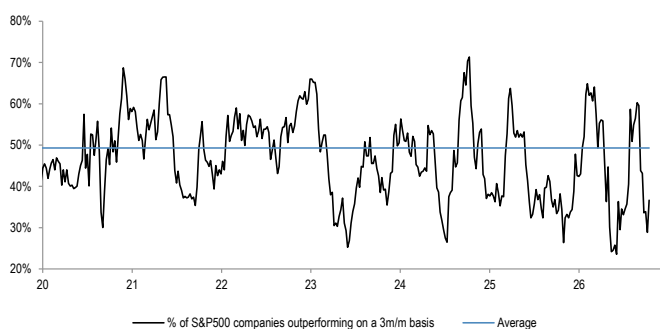
	12m Fwd PE		
	Current	Start of the year	Change
Taiwan (china)	18.1	16.3	11.1%
Brazil	9.5	9.1	3.9%
Japan	15.2	15.6	-2.5%
Spain	12.4	12.9	-3.3%
Italy	11.6	12.1	-4.2%
Germany	14.0	14.7	-4.8%
World ex US	14.5	15.4	-5.3%
Eurozone	14.0	14.8	-5.9%
Switzerland	17.5	18.8	-7.2%
UK	12.0	13.1	-8.5%
World	17.6	19.5	-9.9%
South Africa	8.6	9.6	-10.6%
US	19.1	21.7	-11.8%
France	13.1	15.0	-13.1%
India	18.6	22.2	-16.4%
China	9.9	12.0	-17.1%
EM	9.3	11.7	-20.9%
Korea	4.2	6.4	-34.5%

Source: IBES

As yields climbed this year, forward P/E multiples have compressed by around 2 points for both MSCI World and the S&P 500, while MSCI Eurozone fell from 14.8x to 14.0x. The S&P 500 now trades on 19.1x 12m forward P/E, compared with 14.0x for MSCI Eurozone.

Lower yields are supportive for the broadening trade

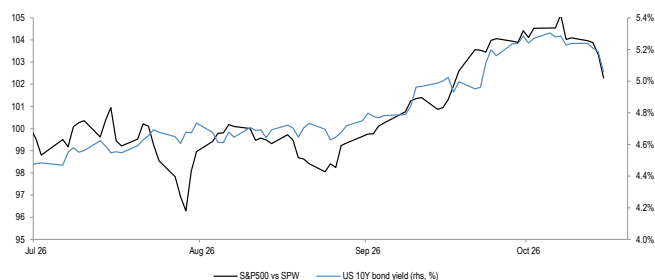
Figure 18: % of S&P500 companies outperforming on a 3m/m basis



Source: Datastream

Over the last few months, market breadth has once again become quite narrow, with S&P500 strength driven by a small set of companies. We believe that higher yields pushed investors into the AI / momentum trade.

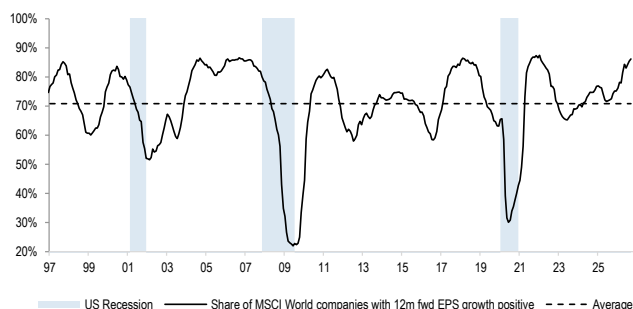
Figure 19: S&P500 vs SPW and US 10Y bond yields



Source: Bloomberg Finance L.P.

As yields come off their highs, the equal weighted S&P500 index is outperforming once again. Higher yields hurt the median company more than cash-rich mega caps, given their greater sensitivity to funding costs and to the consumer.

Figure 20: Share of MSCI World companies with 12m fwd EPS growth positive

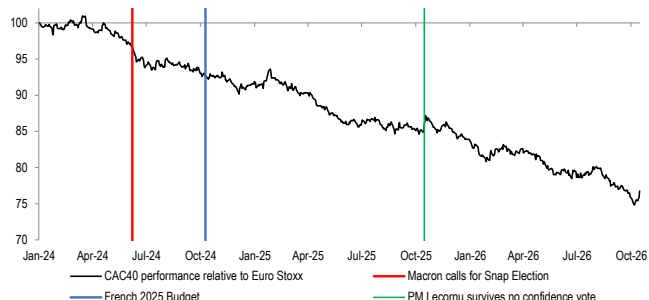


Source: IBES

Fundamentals also support broadening. The share of global companies with accelerating earnings is near record highs, which improves the odds of a more sustainable upcycle. By contrast, Mag 7 are flat year to date. We have argued that the market does not need Tech to outperform in order to move higher. Lower yields and broadening earnings make that case stronger.

France remains a concern, but we would not position for contagion

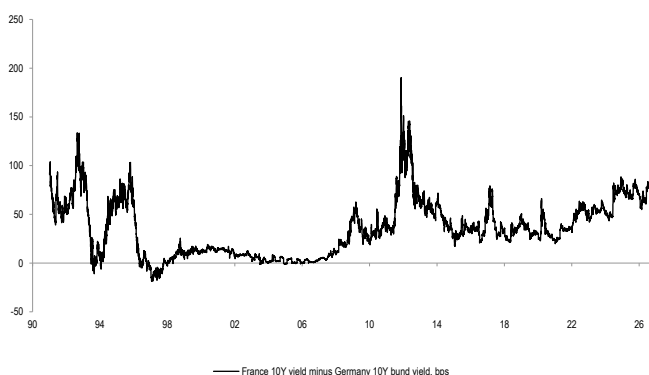
Figure 21: CAC40 relative to Euro Stoxx since Jan '24



Source: Bloomberg Finance L.P.

French political instability has weighed on French equities, lagging their Eurozone peers for more than two years. Year to date, the CAC40 is down 2.6%, while Euro stoxx is up 6.2%.

Figure 22: France 10Y spread to Bunds



Source: Bloomberg Finance L.P.

French 10Y debt now yields 140bp more than Bunds, the highest levels since the Euro debt crisis in 2012. Investors remain concerned about the fiscal path, while the May 2027 presidential elections and the global bond sell-off are exacerbating the moves.

Figure 23: CAC 12m Fwd P/E relative to Eurozone and French 10Y spread to Bunds

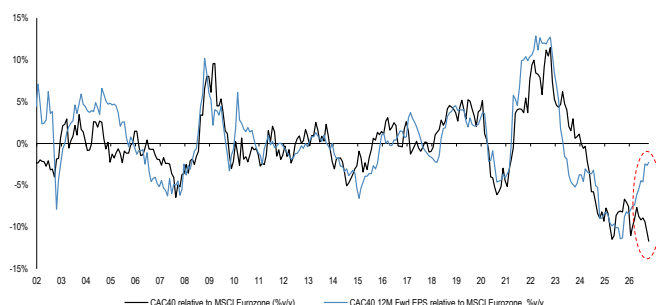


Source: IBES, Bloomberg Finance L.P.

The de-rating has been fast. French stocks have lost 9%+ relative to the market year to date. On 12.9x forward earnings, the CAC40 trades at a 7% discount to MSCI Eurozone at 13.9x. With relative P/E at record lows and spreads close to

record wide, we think a lot of the bad news is in the price.

Figure 24: CAC40 price and 12m Fwd EPS relative



Source: IBES, Datastream

The CAC 40's relative performance has lagged its relative forward EPS, which suggests the market is penalizing the index despite resilient earnings. We believe this could end up being an opportunity.

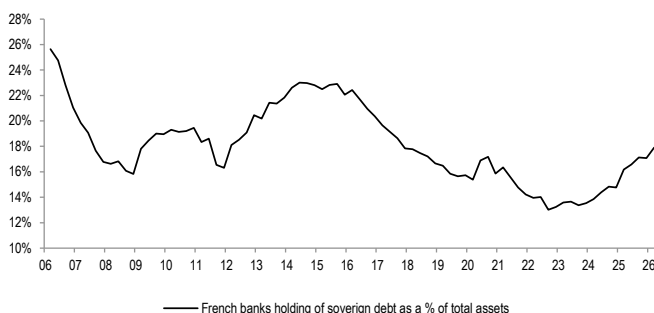
Figure 25: MSCI France Banks relative to Eurozone Banks



Source: Datastream

French Banks in particular have lagged their peers. Our Banks analysts see the wider spread mainly as a hit to sentiment and multiples, not to balance sheets. Sovereign books are largely hedged and held in held-to-maturity accounts, and liquidity and funding look manageable. If conditions tighten further, the channels to watch are funding mix, asset quality and bank tax rhetoric.

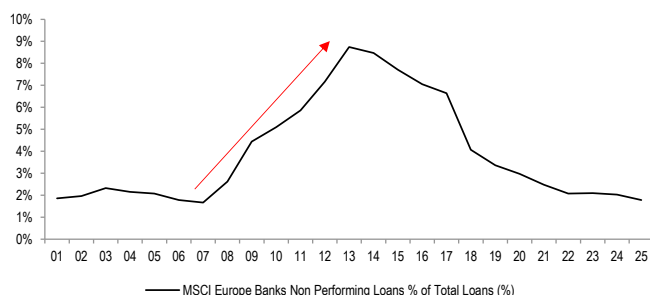
Figure 26: French Bank Holdings of Sovereign Debt as a % of Total Assets



Source: Eurostat, ECB

The link between sovereigns and their Banks has weakened. French Banks' domestic government bonds are 18.2% of assets, down from 20.4% in 2012. Our analysts expect higher yields to have little mark-to-market impact on capital. Bank bond holdings are much more diversified now than they were in 2011–2012, so any rise in yields is unlikely to do meaningful damage to capital ratios.

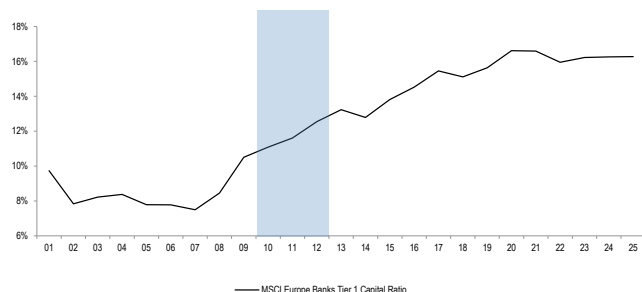
Figure 27: MSCI Europe Banks NPL % of Total Loans



Source: Worldscope, J.P. Morgan.

Loan books are in much better health. The Euro area NPL ratio is 1.8%, well below the 8.7% seen at the peak of the crisis.

Figure 28: MSCI Europe Banks Tier 1 Capital Ratio



Source: Worldscope, J.P. Morgan.

Banks are much better capitalized as well.

Table 5: ECB Tools - Now vs Euro crisis

Dimension	Euro crisis (2011 to end 2012)	Now
Spread tool	Securities Markets Programme (SMP): collateral, limited in size, no default commitment	Transmission Protection Instrument (TPI) in place since July 2022 for disorderly, uncorrelated widening. Outright Monetary Transactions (OMT) still available
Rates at onset of stress	Two main refinancing operations (MRO) rate hikes in 2011 (1.00% to 1.50%), into the stress	Deposit rate at 2.50% after two hikes in 2020; one more hike to 2.75% expected in December
Liquidity	Full allotment in place since 2008, but 3-year longer-term refinancing operations (LTROs) needed to ease bank funding stress	Ample excess liquidity (declining with quantitative tightening (QT)). Full allotment and standing facilities in place; no emergency operations needed
Supervision and resolution	National supervision, no banking union	Single Supervisory Mechanism (SSM) and Single Resolution Mechanism (SRM) operational
Fiscal firewall	Temporary European Financial Stability Facility (EFSF), European Stability Mechanism (ESM) only from October 2012	ESM operational

Source: J.P. Morgan, Bloomberg Finance L.P.

The [ECB backstop](#) is also another critical difference. Then, the ECB tightened into the stress and built its tools as spreads blew out. Markets turned only after the July 2012 “whatever it takes” pledge and OMT. Today, the tools exist in advance, and TPI was designed for exactly this kind of disorderly widening. That makes a sovereign bank feedback loop much less likely.

The caveat is that TPI access depends on compliance with EU fiscal rules, and France is under an excessive deficit proce-

sure. We see this as a reason for a lasting risk premium, not for contagion.

Q3 reporting season has been off to a reassuring start

Table 6: S&P500 and Stoxx 600 Earnings Summary so far

	S&P500	Stoxx600
% cos reported	6%	3%
% cos beating EPS	78%	60%
EPS %y/y	11%	53%
EPS Surprise	3%	16%
% cos beating Sales	59%	27%
Sales %y/y	6%	11%
Sales surprise	1%	1%
1Day performance relative to market (Average)	-0.5%	0.9%
1Day performance relative to market (Median)	-0.7%	1.0%

Source: J.P. Morgan, Bloomberg Finance L.P.

Reporting season is still at a very early stage, but the early read is encouraging. Of the 6% of US and 3% of European companies that have reported so far, 78% and 60% respectively have beaten consensus expectations, including ASML and the US banks. Overall, European companies are doing better than their US peers so far. European companies have also seen a better share-price reaction on results day, outperforming by 0.9% on average, compared with -0.5% in the US.

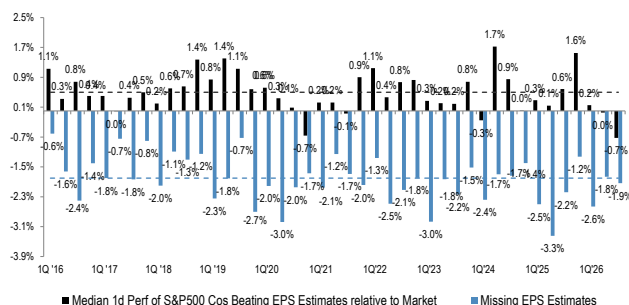
Table 7: Stoxx 600 companies earnings so far

Report Date	Ticker	Name	EPS		Sales		1Day performance relative to SXXP
			Growth	Surprise	Growth	Surprise	
07-Oct-26	INDUA SS	INDUSTRIVARDEN AB-C SHS			5.7%		-2.6%
08-Oct-26	TSCO LN	TESCO PLC			4.5%		5.9%
09-Oct-26	TRYG DC	TRYG A/S	8.8%	12.9%	4.1%	-0.2%	2.2%
12-Oct-26	MC FP	LVMH MOET HENNESSY LOUIS VUI			1.2%	0.0%	0.0%
13-Oct-26	PUB FP	PUBLICIS GROUPE			7.9%	1.3%	2.3%
13-Oct-26	WTB LN	WHITBREAD PLC			1.8%	-0.3%	2.3%
13-Oct-26	GIVN SW	GIVAUDAN-REG			11.3%	4.0%	9.5%
14-Oct-26	ASML NA	ASML HOLDING NV	136.0%	20.8%	55.2%	-0.4%	0.8%
15-Oct-26	RI FP	PERNOD RICARD SA			-6.3%	-1.8%	0.4%
15-Oct-26	ERICB SS	ERICSSON LM-B SHS	-46.9%	20.4%	5.8%	7.4%	6.4%
15-Oct-26	VACN SW	VAT GROUP AG			46.0%	-0.6%	-2.2%
15-Oct-26	NDA FH	NORDEA BANK ABP	-2.8%	-1.5%	2.0%	-1.0%	-8.2%
16-Oct-26	INVEB SS	INVESTOR AB-B SHS	-80.1%		13.0%		1.1%
16-Oct-26	AZA SS	AVANZA BANK HOLDING AB	12.2%	-2.0%	12.4%	-2.1%	-4.7%
Average			3.0%	13.1%	11.7%	0.9%	0.9%
Median			-2.8%	16.7%	5.7%	-0.2%	1.0%

Source: Bloomberg Finance L.P., J.P. Morgan

Investors' main concern is that actual results might underwhelm. So far, price reactions even to mixed results have not been too negative, particularly in Europe, as LVMH showed. Most companies have beaten EPS estimates, and the average share-price reaction across both beats and misses has been +0.9%. We think this reflects cleaner positioning after September's volatility.

Figure 29: Median 1-day performance of S&P500 companies beating and missing EPS estimates



Source: J.P. Morgan, Bloomberg Finance L.P., See the appendix for the full list of companies that have reported.

In the US, the market is less forgiving. Misses have been punished by more than the historical average, at 1.9%, and even beats have seen stocks underperform by 0.7%. Banks, in particular, have been penalized even though they reported higher headline EPS.

Table 8: Q3 '26e EPS Growth

	Q3 '26e EPS growth, %/y			
	US	Europe	Eurozone	Japan
Energy	113%	114%	90%	24%
Materials	27%	36%	35%	18%
Industrials	13%	23%	16%	24%
Discretionary	3%	8%	8%	26%
Staples	3%	3%	-2%	9%
Health Care	4%	4%	-3%	17%
Financials	2%	9%	9%	-2%
IT	65%	6%	26%	16%
Com. Services	1%	14%	12%	-17%
Utilities	9%	6%	3%	-40%
Real Estate	7%	12%	23%	22%
Market	24%	19%	17%	9%
Market Ex-Financials	29%	27%	23%	13%
Market Ex-Energy	20%	11%	10%	9%
Market ex Tech and ex Energy	5%	11%	9%	8%
Cyclicals	42%	18%	17%	22%
Defensives	3%	6%	2%	-7%

Source: Datastream, J.P.Morgan

Consensus looked demanding going in, but the hurdle is lower beneath the surface - see [Q3 preview](#). S&P500 Q3 EPS growth is projected at 24%, falling to 15% excluding Nvidia and Micron and to 8% for the median stock. In Europe, 19% growth falls to 11% excluding Energy, with the median at 9%.

Appendix

Table 9: S&P500 company earnings so far

Report Date	Ticker	Name	EPS		Sales		1Day performance relative to SPX
			Growth	Surprise	Growth	Surprise	
01-Oct-26	NKE US	NIKE INC -CL B	-2.0%	9.8%	-4.3%	-1.0%	-4.4%
01-Oct-26	ACN US	ACCENTURE PLC-CL A	8.6%	3.0%	6.2%	3.6%	15.6%
01-Oct-26	MKC US	MCCORMICK & CO-NON VTG SHRS	1.2%	13.8%	17.4%	2.4%	-5.1%
06-Oct-26	STZ US	CONSTELLATION BRANDS INC-A	3.0%	6.0%	6.1%	3.9%	2.6%
08-Oct-26	PEP US	PEPSICO INC	2.2%	2.0%	5.6%	0.6%	4.2%
09-Oct-26	DAL US	DELTA AIR LINES INC	0.6%	-5.7%	15.7%	-0.5%	-0.6%
13-Oct-26	JNJ US	JOHNSON & JOHNSON	-7.5%	2.8%	5.9%	0.0%	-5.7%
13-Oct-26	WFC US	WELLS FARGO & CO	12.7%	1.6%	2.0%	-2.0%	-3.1%
13-Oct-26	GS US	GOLDMAN SACHS GROUP INC	38.9%	32.7%	23.0%	11.4%	-0.2%
13-Oct-26	UNH US	UNITEDHEALTH GROUP INC	60.6%	13.7%	-0.4%	1.5%	-0.2%
13-Oct-26	JPM US	JPMORGAN CHASE & CO	9.9%	-5.9%	8.0%	-0.9%	-0.8%
13-Oct-26	C US	CITIGROUP INC	53.2%	7.6%	7.9%	0.5%	-5.6%
13-Oct-26	DPZ US	DOMINO'S PIZZA INC	12.8%	5.3%	3.4%	0.6%	-4.7%
14-Oct-26	BAC US	BANK OF AMERICA CORP	1.9%	-1.2%	6.1%	-2.0%	-3.7%
14-Oct-26	FAST US	FASTENAL CO	20.7%	3.3%	15.5%	1.0%	2.2%
14-Oct-26	STT US	STATE STREET CORP	32.7%	-0.1%	13.0%	-1.0%	-3.0%
14-Oct-26	MS US	MORGAN STANLEY	8.2%	4.0%	11.6%	2.2%	-1.6%
14-Oct-26	PGR US	PROGRESSIVE CORP	13.5%	5.9%	-0.9%	-4.6%	-3.1%
14-Oct-26	BLK US	BLACKROCK INC	37.9%	12.6%	19.1%	4.8%	1.8%
15-Oct-26	BNY US	BANK OF NEW YORK MELLON CORP	24.1%	4.3%	12.0%	2.0%	2.9%
15-Oct-26	JBHT US	HUNT (JB) TRANSPRT SVCS INC	3.4%	0.1%	20.4%	2.6%	0.0%
15-Oct-26	MRSH US	MARSH & MCLENNAN COS	9.7%	3.5%	8.1%	3.4%	4.2%
15-Oct-26	PNC US	PNC FINANCIAL SERVICES GROUP	17.0%	2.7%	10.4%	-0.6%	-0.7%
15-Oct-26	SCHW US	SCHWAB (CHARLES) CORP	29.0%	2.3%	16.9%	0.0%	-3.1%
15-Oct-26	USB US	US BANCORP	9.8%	1.1%	8.8%	-0.5%	1.7%
15-Oct-26	IBKR US	INTERACTIVE BROKERS GRO-CL A	17.5%	0.1%	16.3%	0.7%	0.0%
Average			16.1%	4.8%	9.7%	1.1%	-0.4%
Median			11.3%	3.1%	8.4%	0.6%	-0.6%

Source: J.P. Morgan, Bloomberg Finance L.P.

Equity Strategy Key Calls and Drivers

Equities got hurt by the spike in bond yields, but we do not think this will persist. First, historically, the start of Fed tightening was a confirmation that the economy was strong, rather than a signal to sell. We expect continued robust earnings delivery, with Q3 results starting next week. EPS revisions remain in positive territory in most places. This is aided by a rebound in PMIs, even in challenged areas, such as Eurozone. Our lead indicator of earnings is staying on an uptrend. The spike in bond yields, the key headwind for stocks, might be getting stretched. Bonds are close to oversold territory, and we note fed funds futures, which made a huge, almost 200bp, move up ytd, are not increasing anymore. Crucially, we do not see inflation expectations becoming de-anchored, the differences to 2022 template remain big, in terms of Tech outlook and the inflation/wages/labour backdrop. Beneath the surface, we favour the Tech sector. Also, in the past 3 months, during the spike in yields, market internals remained largely risk-on, with Cyclical top in Europe, and all Defensives behind. Market recovery will likely see Cyclical favoured further. French political risk will likely not go away. Having said that, CAC40 has already done poorly, spreads are near record wide, and CAC40 P/E relative is at record lows – a lot is in the price.

Table 10: J.P. Morgan Equity Strategy — Factors driving our medium-term views

Driver	Impact	Our Core Working Assumptions	Recent Developments
Global Growth	Neutral	Growth-Policy trade-off was supportive ahead of the conflict, and we do not believe that this will be dramatically changing	Global composite PMI is at 53.5
European Growth	Positive	Fiscal policy changes and energy inflation to drive GDP revisions	Eurozone Manufacturing PMI is at 52.9
Monetary Policy	Neutral	Central banks might deliver less tightening than is currently priced i	
Currency	Neutral	USD peaking	
Earnings	Positive	Strong earnings momentum to drive the market	EPS revisions are outright positive
Valuations	Negative	At 20x, U.S. forward P/E is still stretched, especially vs real yield	MSCI Europe on 13.9x Fwd P/E
Technicals	Neutral	Technicals in crowded areas have improved, overall equity positioning is rather light	Households' equity weight as a share of total assets is at record high

Source: J.P. Morgan estimates

Table 11: Base Case and Risks

Scenario	Assumption
Upside scenario	Fed on pause while inflation remains in check and growth is stronger
Base-case scenario	Economic growth, inflation remains sustainable and Fed policy rate on hold, Geopolitical uncertainty subsides
Downside scenario	Fed hikes rates with inflation picking up. Geopolitical uncertainty escalates further

Source: J.P. Morgan estimates.

Table 12: Index targets

	Dec '26 Target	Current	% upside
MSCI EUROZONE	420	377	11%
FTSE 100	11,000	10,725	3%
MSCI EUROPE	2,750	2,534	9%
EURO STOXX 50	6,800	6,190	10%
STOXX 600 E	680	638	7%

Source: J.P. Morgan

Table 13: Key sector calls

Overweight	Neutral	Underweight
Mining	Utilities	Energy
Capital Goods	Healthcare	Media
Semis	Autos	Staples
Construction Materials	Telecoms	Insurance
Luxury	Real Estate	
	Chemicals	
	Banks	
	Technology Hardware	

Source: J.P. Morgan.

Table 14: J.P. Morgan Equity Strategy — Key sector calls*

Sector	Recommendations	Key Drivers
Metals & Mining	Overweight	Preferred on a constructive China impulse and bearish USD backdrop (with "spot gap" now tighter), with China activity the key wildcard.
Cap Goods	Overweight	Supported by a constructive capex/electrification outlook, favoring parts of Industrials tied to investment spend.
Semis	Overweight	Expected to stabilize/benefit as the China/EM upswing helps previously China-exposed cyclical and underperformers recover.
Media	Underweight	Likely to keep struggling regardless of near-term activity resilience, given ongoing AI-related disruption (though tactical bounces are possible after derating).
Software	Underweight	Similarly pressured by the AI threat and likely to remain a laggard structurally, even if oversold conditions drive intermittent rallies.

Source: J.P. Morgan estimates. * Please see the last page for the full list of our calls and sector allocation.

Table 15: J.P. Morgan Equity Strategy — Key regional calls

Region	Recommendations	J.P. Morgan Views
EM	Overweight	EM are underowned, valuations are cheap, flows could restart, weaker USD helps, reduced China trade headwinds
DM	Underweight	
US	Neutral	Crowded positioning, full valuations and AI commoditization risk, may not be regional outperformer
Japan	Neutral	Fundamentals remain solid, reforms/buybacks/wage gains help, but had big rally, fuller valuations
Eurozone	Overweight	Improving credit impulse, car sales data and strong earnings revisions and PMIs
UK	Neutral	Structurally cheap with high dividends and lower AI/trade sensitivity - useful in risk-off - but lacks near-term growth catalysts

Source: J.P. Morgan estimates.

Top Picks

Table 16: J.P. Morgan European Strategy: Top European picks

Name	Ticker	Sector	Price	Currency	Market Cap (€ Bn)	EPS Growth			Dividend Yield	12m Fwd P/E			Performance	
						25	26e	27e		Current	10Y Median	% Premium	-3m	-12m
AEGON LTD	AGN NA	Financials	7	E	11.8	4%	17%	7%	4.7%	8.1	6.8	19%	-5%	11%
AIB GROUP PLC	AIBG ID	Financials	11	E	22.5	0%	-4%	11%	3.3%	11.3	10.9	3%	4%	43%
ALSTOM	ALO FP	Industrials	16	E	7.5	958%	9%	36%	1.5%	9.2	16.1	-43%	6%	-28%
ANHEUSER-BUSCH INBEV SA/NV	ABI BB	Staples	71	E	143.4	6%	18%	12%	1.3%	16.5	17.7	-7%	2%	38%
ARGENX SE	ARGX BB	Health Care	746	E	46.9	3977%	49%	35%	0.0%	22.6	-22.8	-	-2%	9%
ASML HOLDING NV	ASML NA	IT	1528	E	593.2	28%	61%	39%	0.4%	29.9	29.4	2%	-2%	81%
ASTRAZENECA PLC	AZN LN	Health Care	12300	E	225.4	12%	11%	11%	1.9%	14.7	18.1	-19%	-1%	-3%
BABCOCK INTL GROUP PLC	BAB LN	Industrials	913	£	5.3	64%	-21%	67%	0.5%	13.4	8.9	50%	-10%	-24%
BARCLAYS PLC	BARC LN	Financials	432	E	68.1	27%	6%	23%	1.9%	7.1	7.3	-3%	-17%	13%
BAYERISCHE MOTOREN WERKE AG	BMW GR	Discretionary	55	E	33.6	-	-43%	28%	7.9%	6.8	7.1	-4%	-5%	-31%
BT GROUP PLC	BT/A LN	Telecoms	198	£	23.4	1%	-2%	3%	4.0%	10.5	8.3	26%	0%	8%
CIE FINANCIERE RICHEMO-A REG	CFR SW	Discretionary	174	SF	110.5	-1%	-3%	23%	1.5%	23.1	22.3	4%	-5%	15%
CONTINENTAL AG	CON GR	Discretionary	71	E	13.9	1%	-23%	10%	3.5%	10.6	9.8	8%	-1%	30%
DANONE	BN FP	Staples	60	E	41.2	5%	4%	8%	3.6%	14.5	16.9	-14%	-16%	-20%
DSV A/S	DSV DC	Industrials	1156	E	37.2	-1%	24%	29%	0.6%	15.1	22.9	-34%	-31%	-9%
FERROVIAL NV	FER SM	Industrials	45	E	32.9	-72%	-23%	17%	1.7%	41.7	50.1	-17%	-19%	-13%
FRAPORT AG FRANKFURT AIRPORT	FRA GR	Industrials	58	E	5.4	-4%	-32%	7%	0.0%	17.5	15.2	15%	-15%	-23%
FRESNILLO PLC	FRES LN	Materials	2590	E	22.5	465%	43%	2%	0.8%	11.5	19.4	-41%	0%	-1%
INDUSTRIA DE DISEÑO TEXTIL	ITX SM	Discretionary	54	E	169.4	9%	6%	9%	2.8%	23.6	22.8	3%	1%	15%
JERONIMO MARTINS	JMT PL	Staples	17	E	10.9	8%	8%	13%	3.4%	14.2	19.7	-28%	6%	-16%
LEONARDO SPA	LDO IM	Industrials	47	E	27.3	15%	52%	22%	1.1%	17.0	9.8	74%	-7%	-10%
MARKS & SPENCER GROUP PLC	MKS LN	Staples	407	£	10.0	31%	-25%	42%	0.7%	11.9	11.2	6%	10%	2%
NEMETSCHEK SE	NEM GR	IT	71	E	8.1	41%	8%	23%	0.8%	26.1	48.7	-46%	27%	-33%
NOKIA OYJ	NOKIA FH	IT	9	E	49.9	-26%	17%	21%	1.6%	22.1	14.6	51%	-15%	86%
NOVONIS (NOVOZYMES) B	NSISB DC	Materials	449	E	28.1	16%	37%	11%	0.9%	27.2	28.7	-5%	6%	13%
ORANGE	ORA FP	Telecoms	14	E	37.3	5%	58%	-17%	5.1%	11.7	10.4	12%	-15%	3%
PRUDENTIAL PLC	PRU LN	Financials	898	E	26.2	13%	18%	22%	2.0%	8.6	10.8	-21%	-16%	-12%
RWE AG	RWE GR	Utilities	59	E	45.7	-21%	23%	8%	1.7%	18.2	14.9	23%	3%	45%
SAIPEM SPA	SPM IM	Energy	5	E	9.2	0%	-2%	101%	3.5%	17.9	16.3	10%	7%	91%
SHELL PLC	SHEL LN	Energy	3912	E	264.1	-17%	88%	-11%	2.7%	9.7	9.8	-2%	24%	46%
SIEMENS AG-REG	SIE GR	Industrials	274	E	213.4	17%	-10%	14%	1.9%	22.0	15.4	43%	1%	14%
SIEMENS ENERGY AG	ENR GR	Industrials	135	E	114.0	-	174%	40%	0.0%	21.5	30.4	-29%	-12%	27%
SSE PLC	SSE LN	Utilities	2521	£	36.4	13%	-5%	19%	2.4%	12.9	12.2	5%	2%	39%
STANDARD CHARTERED PLC	STAN LN	Financials	2109	E	54.1	36%	7%	17%	1.3%	10.4	9.1	14%	-1%	46%
TECHNIP ENERGIES NV	TE FP	Energy	30	E	5.4	-6%	-11%	60%	2.8%	11.5	10.5	10%	-8%	-20%
UBS GROUP AG-REG	UBSG SW	Financials	39	E	139.1	55%	57%	21%	1.9%	11.0	10.6	4%	-10%	24%
UNILEVER PLC	ULVR LN	Staples	4829	E	122.9	-8%	5%	6%	3.5%	16.9	18.3	-7%	6%	-1%
UNIVERSAL MUSIC GROUP NV	UMG NA	Telecoms	15	E	28.0	7%	-8%	12%	3.4%	14.8	24.4	-39%	-17%	-34%

Source: Datastream, MSCI, IBES, J.P. Morgan, Prices and Valuations as of COB 14th Oct, 2026. Past performance is not indicative of future returns.

Please see the most recent company-specific research published by J.P. Morgan for an analysis of valuation methodology and risks on companies recommended in this report. Research is available at <http://www.jpmorganmarkets.com>

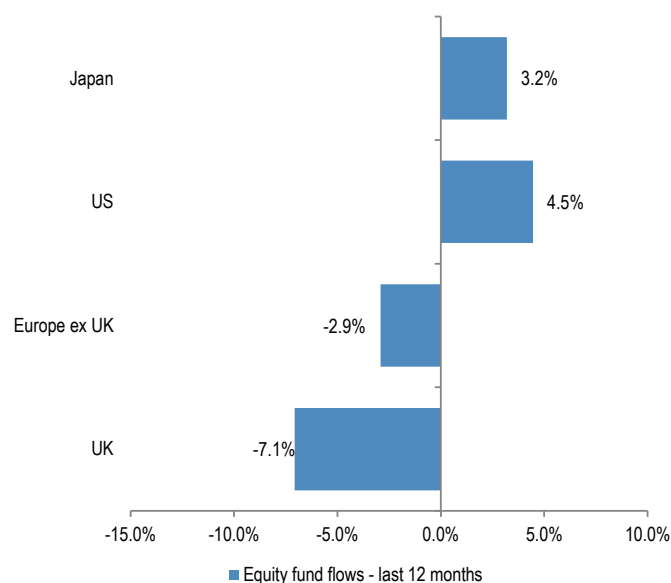
Equity Flows Snapshot

Table 17: DM Equity Fund Flows Summary

	Regional equity fund flows					% AUM				
	1w	1m	<u>\$mn</u> 3m	YTD	12m	1w	1m	3m	YTD	12m
Europe ex UK	145	-278	-2,000	-13,254	-12,491	0.0%	-0.1%	-0.4%	-2.9%	-2.9%
UK	173	-373	-6,622	-13,289	-20,135	0.1%	-0.1%	-2.0%	-4.3%	-6.6%
US	3,260	43,160	147,125	462,587	626,721	0.0%	0.3%	0.9%	3.2%	4.4%
Japan	-3,330	204	11,911	26,571	28,047	-0.3%	0.0%	1.0%	2.6%	2.9%

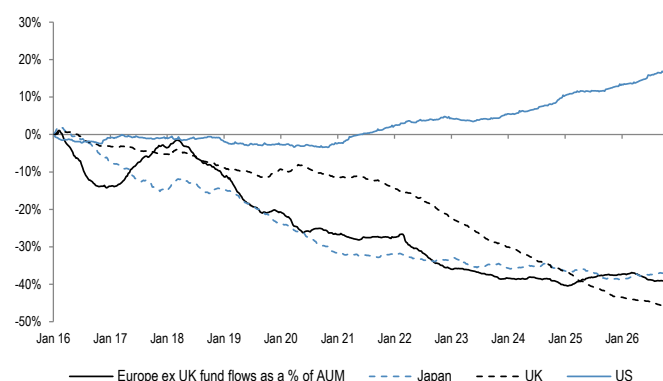
Source: EPFR, as of 7th Oct, 2026

Figure 30: DM Equity Fund flows – last 12 months



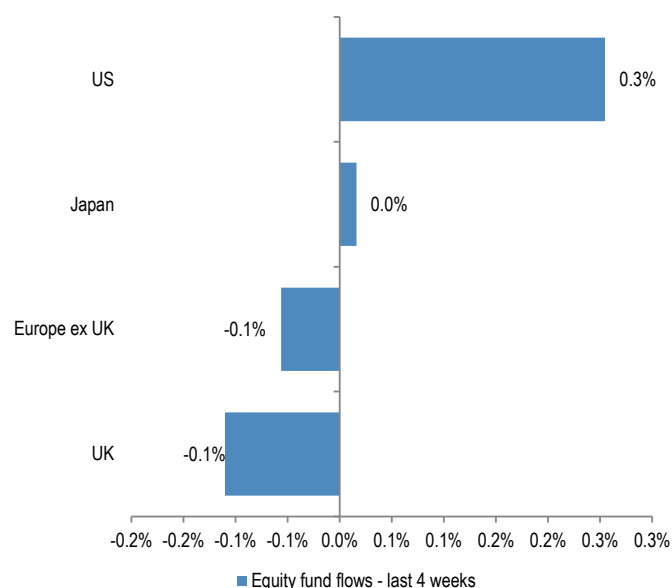
Source: EPFR, Japan includes BoJ purchases.

Figure 32: Cumulative fund flows into regional funds as a percentage of AUM



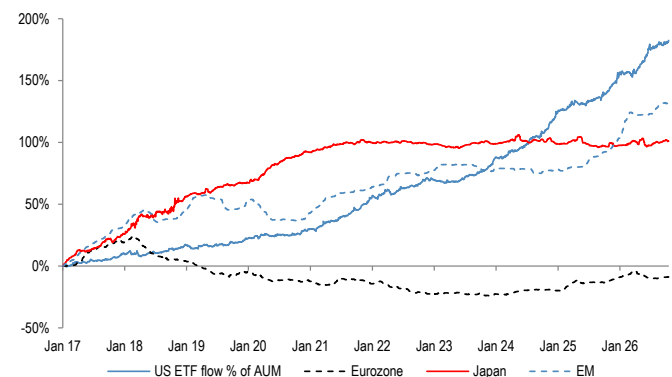
Source: EPFR, as of 7th Oct, 2026. Japan includes Non-ETF purchases only.

Figure 31: DM Equity Fund flows – last 4 weeks



Source: EPFR, Japan includes BoJ purchases.

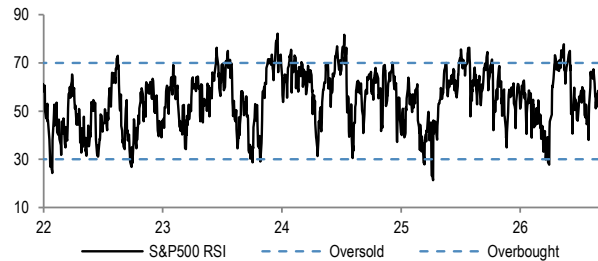
Figure 33: Cumulative fund flows into regional equity ETFs as a percentage of AUM



Source: Bloomberg Finance L.P. *Based on the 25 biggest ETFs with a mandate to invest in that particular region. Japan includes BoJ purchases.

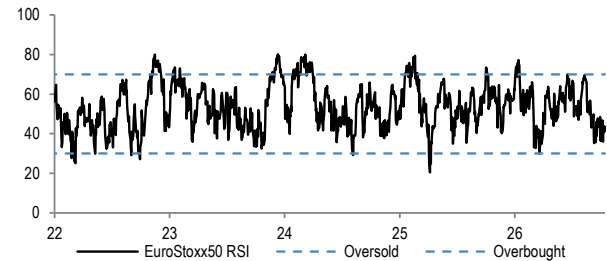
Technical Indicators

Figure 34: S&P500 RSI



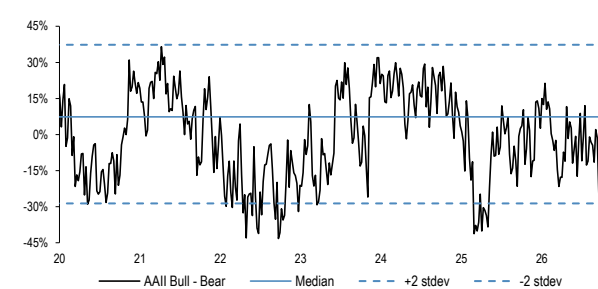
Source: Bloomberg Finance L.P.

Figure 35: EuroStoxx50 RSI



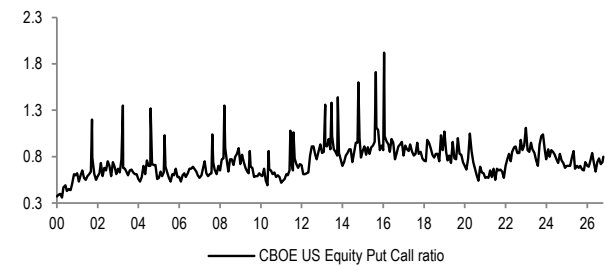
Source: Bloomberg Finance L.P.

Figure 36: AAll Bull-Bear



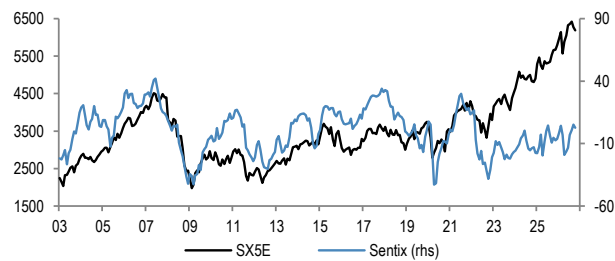
Source: Bloomberg Finance L.P.

Figure 37: Put-call ratio



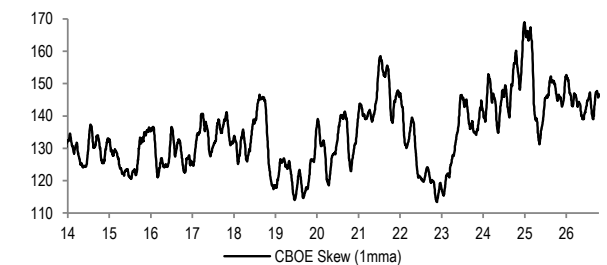
Source: Bloomberg Finance L.P.

Figure 38: Sentix Sentiment Index vs SX5E



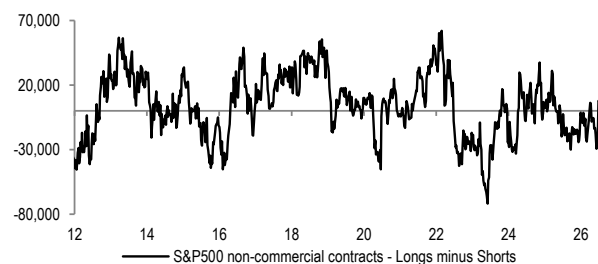
Source: Bloomberg Finance L.P.

Figure 39: Equity Skew



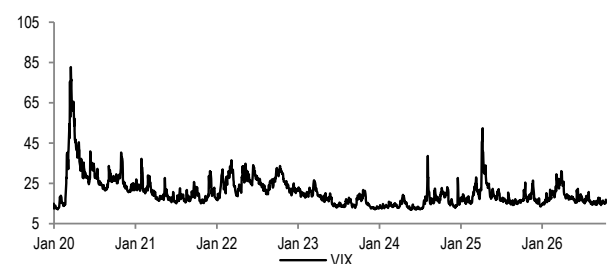
Source: Bloomberg Finance L.P.

Figure 40: Speculative positions in S&P500 futures contracts



Source: Bloomberg Finance L.P.

Figure 41: VIX



Source: Bloomberg Finance L.P.

Performance

Table 18: Sector Index Performances — MSCI Europe

(%change)		Local currency		
Industry Group		4week	12m	YTD
Europe		(0.4)	12.2	7.2
Energy		5.6	56.2	48.3
Materials		0.2	21.0	13.7
	Chemicals	4.2	15.4	18.8
	Construction Materials	(5.9)	(16.3)	(25.4)
	Metals & Mining	(2.5)	41.4	22.1
Industrials		(0.7)	6.5	5.4
	Capital Goods	(1.1)	7.6	7.0
	Transport	(0.3)	19.9	2.5
	Business Svs	4.4	(14.9)	(8.5)
Consumer Discretionary		(2.0)	(12.5)	(18.0)
	Automobile	(7.3)	(13.4)	(22.0)
	Consumer Durables	(2.0)	(16.2)	(24.5)
	Media	(1.8)	(19.1)	(10.3)
	Retailing	2.2	(11.2)	(13.2)
	Hotels, Restaurants & Leisure	(0.7)	(3.5)	1.4
Consumer Staples		3.1	3.6	1.5
	Food & Drug Retailing	4.7	5.4	7.9
	Food Beverage & Tobacco	2.3	4.6	1.1
	Household Products	4.1	0.9	0.0
Healthcare		1.6	3.2	(1.6)
Financials		(5.0)	18.8	8.2
	Banks	(6.6)	30.7	12.7
	Diversified Financials	(2.4)	4.3	1.3
	Insurance	(2.8)	6.2	3.3
Real Estate		(3.1)	8.5	4.4
Information Technology		6.1	38.6	37.0
	Software and Services	3.8	(9.3)	(0.1)
	Technology Hardware	1.1	24.3	19.4
	Semicon & Semicon Equip	7.9	76.8	63.8
Utilities		(7.8)	(10.4)	(4.9)
		2.4	18.4	11.5

Source: MSCI, Datastream, As at COB 14th Oct, 2026

Table 19: Country and Region Index Performances

(%change)		Local Currency			US\$		
Country	Index	4week	12m	YTD	4week	12m	YTD
Austria	ATX	(2.8)	40.9	24.3	(6.3)	35.2	17.7
Belgium	BEL 20	(3.3)	11.9	9.2	(6.8)	7.4	3.4
Denmark	KFX	(2.4)	(3.4)	(5.3)	(5.9)	(7.5)	(10.4)
Finland	HEX 20	(1.6)	21.7	9.9	(5.1)	16.7	4.1
France	CAC 40	(3.3)	(0.6)	(3.4)	(6.8)	(4.6)	(8.5)
Germany	DAX	(0.9)	4.4	3.3	(4.5)	0.1	(2.2)
Greece	ASE General	(3.5)	26.6	22.8	(7.0)	21.4	16.3
Ireland	ISEQ	(1.8)	21.2	7.5	(5.3)	16.3	1.8
Italy	FTSE MIB	(4.3)	18.2	10.7	(7.7)	13.4	4.8
Japan	Topix	0.9	30.7	20.2	(1.5)	25.0	18.6
Netherlands	AEX	3.7	19.8	19.5	(0.0)	14.9	13.2
Norway	OBX	(2.2)	22.4	20.5	(4.3)	30.5	27.2
Portugal	BVL GEN	(0.6)	13.8	15.5	(4.2)	9.1	9.4
Spain	IBEX 35	(2.1)	23.4	11.1	(5.6)	18.4	5.2
Sweden	OMX	0.8	20.4	13.6	(2.1)	14.2	4.1
Switzerland	SMI	1.9	13.6	6.5	(0.5)	8.6	0.6
United States	S&P 500	2.2	16.2	12.8	2.2	16.2	12.8
United States	NASDAQ	2.8	18.5	14.8	2.8	18.5	14.8
United Kingdom	FTSE 100	0.3	13.5	8.0	(1.9)	12.3	5.6
EMU	MSCI EMU	(1.3)	11.8	7.3	(4.8)	7.3	1.6
Europe	MSCI Europe	(0.4)	12.2	7.2	(3.4)	8.4	2.3
Global	MSCI AC World	1.6	15.7	11.9	0.8	14.9	11.0

Source: MSCI, Datastream, As at COB 14th Oct, 2026

Earnings

Table 20: IBES Consensus EPS Country Forecasts

Country	Index	EPS growth (%change)			
		2025E	2026E	2027E	2028E
Austria	ATX	9.7	26.2	13.8	6.7
Belgium	BEL 20	18.3	15.4	13.3	12.3
Denmark	Denmark KFX	(1.2)	6.5	1.8	8.7
Finland	MSCI Finland	4.5	20.3	12.9	9.4
France	CAC 40	(23.1)	48.1	9.1	9.4
Germany	DAX	5.3	8.0	14.8	14.4
Greece	MSCI Greece	(6.0)	18.3	10.1	7.0
Ireland	MSCI Ireland	2.9	0.3	12.3	14.6
Italy	MSCI Italy	(39.1)	89.7	10.2	10.3
Netherlands	AEX	(20.5)	44.5	9.9	10.1
Norway	MSCI Norway	(11.1)	54.6	(6.6)	(2.1)
Portugal	MSCI Portugal	23.7	29.9	0.4	2.6
Spain	IBEX 35	5.8	14.5	12.2	9.2
Sweden	OMX	(3.3)	6.2	10.1	9.3
Switzerland	SMI	6.8	9.3	10.4	9.7
United Kingdom	FTSE 100	6.3	22.6	6.2	7.1
EMU	MSCI EMU	(4.5)	23.5	12.4	11.7
Europe ex UK	MSCI Europe ex UK	(2.6)	20.2	11.3	11.1
Europe	MSCI Europe	(0.5)	21.3	9.7	9.9
United States	S&P 500	13.0	34.4	17.4	17.1
Japan	Topix	11.5	21.7	10.6	10.7
Emerging Market	MSCI EM	10.6	74.6	24.4	11.1
Global	MSCI AC World	9.9	36.6	16.9	14.0

Source: IBES, MSCI, Datastream. As at COB 14th Oct, 2026**Japan refers to the period from March in the year stated to March in the following year— EPS post-goodwill

Table 21: IBES Consensus Sector Earnings- MSCI Europe

	EPS Growth (%yoy)			
	2025E	2026E	2027E	2028E
Europe	(0.5)	21.3	9.7	9.9
Energy	(13.2)	96.7	(15.2)	(10.4)
Materials	(9.3)	33.7	10.7	6.5
Chemicals	(6.5)	13.9	5.7	10.1
Construction Materials	(22.2)	10.0	12.3	11.2
Metals & Mining	(6.0)	61.0	12.3	3.0
Industrials	9.1	16.3	14.4	13.6
Capital Goods	11.4	16.4	17.1	14.5
Transport	(3.1)	21.0	(1.8)	8.3
Business Svs	5.8	10.7	10.7	10.2
Discretionary	(63.2)	136.4	20.3	15.8
Automobile	(132.1)	-	33.2	20.1
Consumer Durables	(7.0)	11.1	12.9	12.3
Media	22.0	4.9	15.9	14.5
Retailing	15.6	10.6	14.3	14.3
Hotels, Restaurants & Leisure	9.7	6.3	14.7	13.9
Staples	(1.9)	3.5	7.5	7.5
Food & Drug Retailing	1.0	9.3	8.8	7.7
Food Beverage & Tobacco	(1.6)	2.9	7.5	7.7
Household Products	(4.1)	2.3	7.0	6.8
Healthcare	9.3	5.2	8.7	10.4
Financials	10.1	11.7	12.9	11.5
Banks	12.9	10.4	14.6	12.1
Diversified Financials	(8.7)	25.7	15.5	14.9
Insurance	14.7	8.1	6.8	7.6
Real Estate	12.4	(3.5)	3.7	3.4
IT	12.0	26.5	29.8	24.1
Software and Services	24.6	10.4	12.8	15.9
Technology Hardware	4.3	(10.3)	12.2	13.0
Semicon & Semicon Equip	7.2	55.8	43.7	29.8
Telecoms	5.2	11.8	12.0	10.7
Utilities	1.2	8.4	7.2	7.2

Source: IBES, MSCI, Datastream. As at COB 14th Oct, 2026

Valuations

Table 22: IBES Consensus European Sector Valuations

	P/E			Dividend Yield			EV/EBITDA			Price to Book		
	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e
Europe	15.0	13.7	12.4	3.1%	3.4%	3.7%	9.0	8.3	7.8	2.3	2.2	2.0
Energy	8.0	9.4	10.5	4.0%	4.1%	4.3%	3.4	3.7	4.0	1.7	1.5	1.4
Materials	16.8	15.2	14.3	3.0%	3.1%	3.3%	8.1	7.4	6.9	2.0	1.9	1.8
Chemicals	22.6	21.4	19.4	2.6%	2.6%	2.8%	11.7	11.2	10.2	2.5	2.4	2.4
Construction Materials	13.6	12.2	10.9	2.8%	3.1%	3.4%	8.4	7.5	6.7	1.5	1.4	1.3
Metals & Mining	13.4	12.0	11.6	3.4%	3.5%	3.7%	6.4	5.7	5.5	2.0	1.8	1.7
Industrials	21.4	18.7	16.5	2.2%	2.4%	2.6%	11.4	10.5	9.6	3.8	3.5	3.2
Capital Goods	22.8	19.5	17.0	2.0%	2.2%	2.5%	13.1	11.5	10.2	4.3	3.9	3.5
Transport	13.9	14.1	13.0	3.5%	3.1%	3.1%	6.7	7.4	7.4	1.9	1.8	1.7
Business Svcs	17.8	16.1	14.6	2.8%	3.1%	3.3%	11.2	10.3	9.5	5.8	5.4	5.0
Discretionary	15.9	13.2	11.4	2.7%	3.1%	3.4%	7.7	5.8	5.2	1.9	1.7	1.6
Automobile	9.8	7.3	6.1	4.0%	4.8%	5.6%	1.8	1.6	1.4	0.6	0.5	0.5
Consumer Durables	21.0	18.6	16.6	2.5%	2.7%	2.9%	13.2	10.1	9.2	3.4	3.1	2.9
Media & Entertainment	22.8	19.6	17.1	1.4%	1.5%	1.6%	14.7	12.6	10.3	5.0	4.4	3.9
Retailing	15.0	13.2	11.5	2.4%	2.7%	3.0%	20.9	14.0	11.6	5.3	3.1	2.7
Hotels, Restaurants & Leisure	20.6	18.0	15.8	2.3%	2.6%	2.9%	11.6	10.4	9.3	5.8	5.3	4.7
Staples	16.3	15.2	14.1	3.3%	3.5%	3.7%	10.2	9.5	9.0	3.0	2.9	2.7
Food & Drug Retailing	13.6	12.5	11.6	3.6%	3.9%	4.2%	6.3	6.0	5.6	2.0	2.0	1.9
Food Beverage & Tobacco	15.8	14.7	13.6	3.6%	3.7%	4.0%	10.4	9.7	9.1	2.7	2.6	2.4
Household Products	19.2	17.9	16.8	2.7%	2.8%	3.0%	12.6	11.4	11.0	4.4	4.1	3.8
Healthcare	15.6	14.4	13.0	2.5%	2.7%	2.8%	12.0	10.8	9.7	3.4	3.1	2.8
Financials	11.3	10.0	9.0	4.5%	5.0%	5.5%	-	-	-	1.6	1.5	1.4
Banks	10.6	9.3	8.3	4.9%	5.5%	6.2%	-	-	-	1.4	1.4	1.3
Diversified Financials	12.7	11.0	9.6	2.9%	3.1%	3.4%	-	-	-	1.6	1.5	1.4
Insurance	12.2	11.5	10.6	4.9%	5.2%	5.6%	-	-	-	2.1	2.0	1.9
Real Estate	12.5	12.9	12.5	5.8%	6.1%	6.3%	-	-	-	0.7	0.7	0.7
IT	32.0	24.7	19.9	1.0%	1.1%	1.3%	20.0	14.9	11.6	6.4	5.7	4.9
Software and Services	26.7	23.7	20.4	1.3%	1.6%	1.6%	15.7	12.0	9.2	4.2	3.9	3.6
Technology Hardware	21.9	19.5	17.2	1.8%	1.9%	2.1%	12.4	10.8	9.7	3.0	2.8	2.6
Semicon & Semicon Equip	37.6	26.2	20.2	0.6%	0.8%	1.0%	25.9	18.1	14.0	11.3	9.2	7.2
Communication Services	15.3	13.6	12.3	3.6%	3.9%	4.2%	6.4	6.0	5.6	2.0	2.0	1.9
Utilities	15.3	14.2	13.3	4.0%	4.3%	4.5%	9.7	9.3	9.1	2.0	1.9	1.8

Source: IBES, MSCI, Datastream. As at COB 14th Oct, 2026.

Table 23: IBES Consensus P/E and 12-Month Forward Dividend Yields — Country Forecasts

Country	Index	P/E				Dividend Yield
		12mth Fwd	2026E	2027E	2028E	12mth Fwd
Austria	ATX	10.7	11.8	10.4	9.7	4.2%
Denmark	Denmark KFX	13.9	14.2	13.9	12.8	3.2%
Finland	MSCI Finland	18.1	20.0	17.7	16.2	3.3%
France	CAC 40	12.8	13.7	12.6	11.5	3.8%
Germany	DAX	14.4	16.4	14.2	12.5	3.1%
Greece	MSCI Greece	17.8	19.3	17.5	16.4	2.9%
Ireland	MSCI Ireland	12.9	14.2	12.6	11.0	3.3%
Italy	MSCI Italy	11.6	12.6	11.4	10.3	5.1%
Netherlands	AEX	15.8	17.0	15.5	14.0	2.2%
Norway	MSCI Norway	11.8	11.1	11.9	12.2	5.5%
Portugal	MSCI Portugal	13.7	13.8	13.7	13.4	3.8%
Spain	IBEX 35	13.1	14.4	12.9	11.8	4.0%
Sweden	OMX	17.0	18.4	16.8	15.3	3.3%
Switzerland	SMI	16.8	18.2	16.5	15.0	3.2%
United Kingdom	FTSE 100	12.1	12.7	11.9	11.1	3.7%
EMU	MSCI EMU	14.0	15.4	13.7	12.3	3.3%
Europe ex UK	MSCI Europe ex UK	14.6	16.0	14.4	12.9	3.3%
Europe	MSCI Europe	13.9	15.0	13.7	12.4	3.4%
United States	S&P 500	18.9	22.0	18.7	16.0	1.1%
Japan	Topix	15.3	16.3	14.7	13.3	2.3%
Emerging Market	MSCI EM	9.7	11.7	8.9	8.4	2.7%
Global	MSCI AC World	16.2	18.6	15.6	14.0	1.7%

Source: IBES, MSCI, Datastream. As at COB 14th Oct, 2026; **Japan refers to the period from March in the year stated to March in the following year-P/E post goodwill.

Economic, Interest Rate and Exchange Rate Outlook

Table 24: Economic Outlook in Summary

	Real GDP % oya			Real GDP						Consumer prices % oya			
	2025	2026E	2027E	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	2Q26	4Q26	2Q27	4Q27
United States	2.3	2.4	2.2	2.5	2.2	3.5	1.7	2.3	2.3	2.7	3.8	3.9	2.3
Eurozone	1.3	1.0	1.5	-0.1	2.6	1.0	1.5	1.5	1.5	2.1	3.0	3.9	2.6
United Kingdom	1.2	1.5	1.4	2.6	2.1	2.0	1.0	1.6	1.2	3.4	2.8	3.4	3.7
Japan	1.2	0.9	1.0	1.9	1.4	0.5	1.3	1.0	1.2	2.5	1.5	2.5	2.1
Emerging markets	4.3	4.1	3.9	4.9	3.2	3.4	4.2	4.0	4.0	3.5	3.4	2.9	3.0
Global	2.8	2.7	2.7	2.9	2.7	2.8	2.7	2.8	2.7	2.7	3.4	3.6	2.7

Source: J.P. Morgan Economic Research estimates, as of 14th Oct, 2026

Table 25: Official Rates Outlook

	Official interest rate	Current	Last change (bp)	Forecast next change (bp)	Forecast for			
					Dec 26	Mar 27	Jun 27	Sep 27
United States	Federal funds rate	4.00	16 Sep 26 (+25bp)	Dec 26 (+25bp)	4.25	4.25	4.25	4.25
Eurozone	Depo rate	2.50	10 Sep 26 (+25bp)	Dec 26 (+25bp)	2.75	3.00	3.00	3.00
United Kingdom	Bank Rate	3.75	18 Dec 25 (-25bp)	Nov 26 (+25bp)	4.00	4.25	4.25	4.25
Japan	Pol rate IOER	1.25	18 Sep 26 (+25bp)	Dec 26 (+25bp)	1.50	1.50	1.75	2.00

Source: J.P. Morgan estimates, Datastream, as of 14th Oct, 2026

Table 26: 10-Year Government Bond Yield Forecasts

10 Yr Govt BY	Forecast for end of				
	15-Oct-26	Dec 26	Mar 27	Jun 27	Sep 27
US	5.09	5.05	5.10	5.05	5.00
Euro Area	3.39	3.15	3.10	3.00	2.95
United Kingdom	5.35	5.10	4.95	4.75	4.65
Japan	2.90	3.05	3.05	3.15	3.20

Source: J.P. Morgan estimates, Datastream, forecasts as of 9th Oct, 2026

Table 27: FX forecasts

Exchange rates vs US\$	Forecast for end of				
	15-Oct-26	Dec 26	Mar 27	Jun 27	Sep 27
EUR	1.11	1.13	1.12	1.10	1.10
GBP	1.32	1.28	1.29	1.28	1.28
CHF	0.83	0.84	0.85	0.86	0.86
JPY	158	164	164	164	164
DXY	102.6	102.5	103.0	104.3	104.3

Source: J.P. Morgan estimates, Datastream, forecasts as of 9th Oct, 2026

Sector, Regional and Asset Class Allocations

Table 28: J.P. Morgan Equity Strategy — European Sector Allocation

	MSCI Europe Weights	Allocation	Deviation	Recommendation
Energy	5.4%	3.0%	-2.4%	UW
Materials	5.4%	8.0%	2.6%	OW
				N
				OW
				OW
Industrials	18.6%	21.0%	2.4%	OW
				OW
				N
				N
Consumer Discretionary	4.7%	8.0%	3.3%	OW
				N
				OW
				N
				N
				N
Consumer Staples	8.2%	6.0%	-2.2%	UW
				UW
				UW
				UW
Healthcare	12.7%	12.0%	-0.7%	N
Financials	25.5%	25.0%	-0.5%	N
				N
				UW
Real Estate	0.5%	1.0%	0.5%	N
Information Technology	9.7%	8.0%	-1.7%	N
				UW
				N
				OW
Communication Services	4.4%	4.0%	-0.4%	N
				N
				UW
Utilities	4.8%	4.0%	-0.8%	N
	100.0%	100.0%	0.0%	Balanced

Source: MSCI, Datastream, J.P. Morgan.

Table 29: J.P. Morgan Equity Strategy — Global Regional Allocation

	MSCI Weight	Allocation	Deviation	Recommendation
EM	12.1%	14.0%	1.9%	Overweight
DM	87.9%	86.0%	-1.9%	Underweight
US	73.1%	73.0%	-0.1%	Neutral
Japan	5.8%	6.0%	0.2%	Neutral
Eurozone	8.7%	11.0%	2.3%	Overweight
UK	3.6%	3.0%	-0.6%	Neutral
Others*	8.7%	7.0%	-1.7%	Underweight
	100.0%	100.0%	0.0%	Balanced

Source: MSCI, J.P. Morgan *Other includes Denmark, Switzerland, Australia, Canada, Hong Kong SAR, Sweden, Singapore, New Zealand, Israel and Norway

Table 30: J.P. Morgan Equity Strategy — European Regional Allocation

	MSCI Weight	Allocation	Deviation	Recommendation
Eurozone	54.5%	58.0%	3.5%	Overweight
United Kingdom	22.5%	21.0%	-1.5%	Neutral
Others**	22.9%	21.0%	-1.9%	Underweight
	100.0%			Balanced

Source: MSCI, J.P. Morgan **Other includes Denmark, Switzerland, Sweden and Norway

Table 31: J.P. Morgan Equity Strategy — Asset Class Allocation

	Benchmark weighting	Allocation	Deviation	Recommendation
Equities	60%	65%	5%	Overweight
Bonds	30%	30%	0%	Neutral
Cash	10%	5%	-5%	Underweight
	100%	100%	0%	Balanced

Source: MSCI, J.P. Morgan



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Companies Discussed in This Report (all prices in this report as of market close on 16 October 2026, unless otherwise indicated)

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