J.P.Morgan

Global Markets Strategy
17 August 2026

Equity Strategy

Updating on key market themes

- We **maintain a positive stance on the equity market**, expecting **continued supportive Growth - Inflation tradeoff**, with corporate earnings a tailwind. Internal participation is broadening, and Cyclical sectors are likely to keep rallying. We look for new highs at index level into year end, including for SXXP. In this report, we refresh our thematic positioning, with focus on Europe.
- Reflecting global trends, Europe as well is attempting to move from an efficiency and economies of scale targeting model toward a greater focus on security, resiliency, and strategic autonomy. This is driven by continued geopolitical uncertainty, from Ukraine to Middle East, a more transactional US policy stance, and intensifying China competition. The implication for markets is a longer lasting policy supported capex cycle that spans defence, energy systems, grids, industrial capacity, digital infrastructure, and selected critical supply chains. Relative to the US, Europe starts from deeper underinvestment in defence readiness, grid build, and industrial capacity, so the catch up could be meaningful. We address the following thematic groups: 1) **Energy security, Grid upgrade, Renewables and Nuclear**. The post-REPower EU drive to cut strategic energy dependence, alongside critical raw materials and net zero industry measures, is actively pushing domestic capacity higher.
- 2) **German fiscal expansion and Infrastructure upgrade.** Germany's constitutional debt-brake release has unlocked greater funding for defence and infrastructure projects, anchored by the EUR 500bn special infrastructure and climate fund**.**
- 3) **Strategic Technologies**. The focus is on AI buildout & industrial automation.
- 4) **Defense Modernization**. Rising NATO spending commitments and EU-level joint procurement and defense-industrial initiatives, such as ReArm Europe / EDIP-type programs and common munitions replenishment contracts. In terms of our stance on the Defense sector, ever since last summer we have been arguing for a rollover, given that the theme became overowned, and have in our February Thematic update continued with a more cautious view on Defense, preferring Banks - see report. Given that **Defense** stocks spent more than a year struggling to perform - bottom chart, and saw a meaningful derating, we believe that **risk-reward for the group is turning better going forward**, but with a focus on new capabilities, rather than on legacy businesses.
- 5) **Increased EU protectionism**. On protectionism and sovereignty, Europe's preference for standards and regulation over simple tariffs is already visible in the Carbon Border Adjustment Mechanism (CBAM), local content requirements in wind, grids, defense, foreign subsidy screening, and anti-subsidy actions on EVs, solar and wind.
- Out of other potential themes, even as they might not be a focus in the short term, we mention **Aging Population** and **Ukraine Reconstruction and Eastern European Buildout**. Across all seven groups, the physical infrastructure layer is the most investable, with **Capital Goods** (electricals/cables), **Utilities**, **Building Materials**, and **Steel** recurring as common beneficiaries. Taken together, the concrete policy anchors reinforce the duration argument: multi-year budgets, procurement, and regulation, rather than a single cycle.

Equity Strategy

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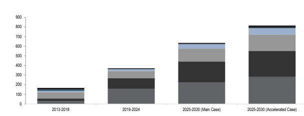
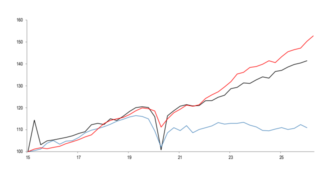
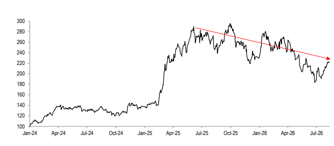
European energy grid investments are picking up



Germany has been underinvesting relative to others



Defense stocks have struggled to perform for more than a year now. We moderate our longstanding caution on the group from here, and would focus the upside on Defense modernization parts



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

See page 30 for analyst certification and important disclosures, including non-US analyst disclosures.

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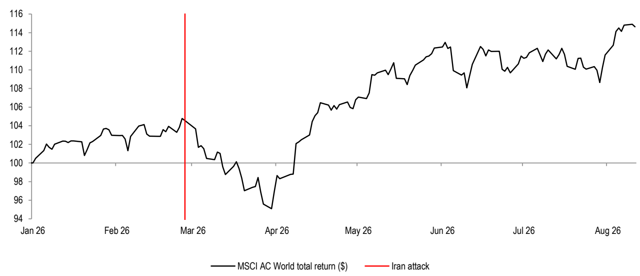
Updating on key market themes

Out of other potential themes, even as they might not be a focus in the short term, we mention **Aging Population** and **Ukraine Reconstruction and Eastern European Buildout**. Across all seven groups, the physical infrastructure layer is the most investable, with **Capital Goods** (electricals/cables), **Utilities**, **Building Materials**, and **Steel** recurring as common beneficiaries. Taken together, the concrete policy anchors reinforce the duration argument: multi-year budgets, procurement, and regulation, rather than a single cycle.

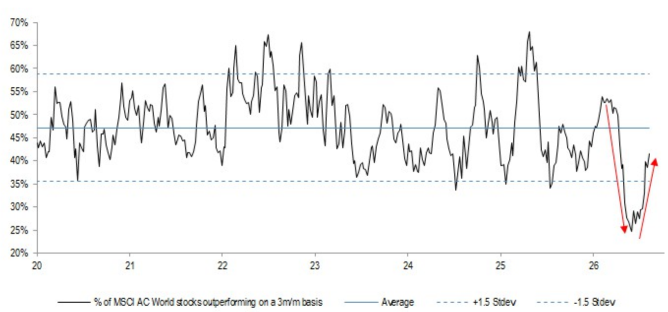
Figure 1: MSCI AC World total return ytd



Source: Datastream

Equity markets are at fresh all-time highs, successfully navigating a range of geopolitical and rotation headwinds, as we hoped for. MSCI AC World is up approximately 14% ytd in total return terms. We believe stocks are likely to keep making fresh all-time highs in 2H, supported by robust earnings delivery and investor positioning that remains far from extreme.

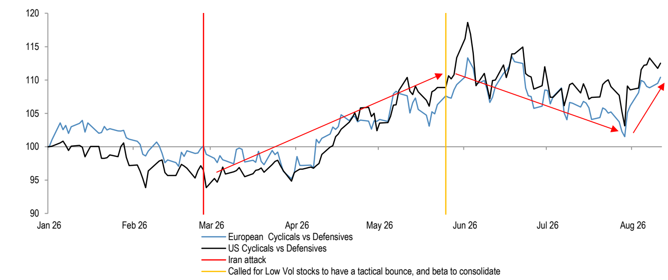
Figure 2: MSCI AC World proportion of stocks outperforming on 3 months lookback



Source: Datastream

Beneath the index, participation is broadening away from a narrow set of leaders, and we look for Cyclicals to keep leading. Market breadth fell to exceptionally narrow levels earlier this year, with only about 25% of MSCI AC World constituents outperforming the index at the recent low, before recovering to just above 40%. If breadth continues to normalize, index performance can be sustained even as prior leaders consolidate, as marginal demand rotates into laggards rather than leaving the asset class entirely.

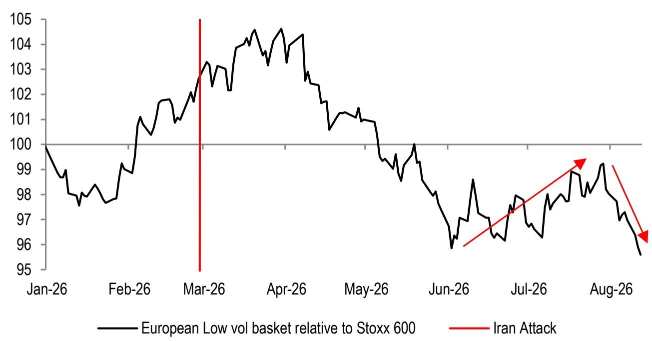
Figure 3: US and European Cyclicals vs Defensives ytd



Source: Datastream

Cyclical sectors are strongly outperforming in 2026, with European Cyclicals ahead of Defensives by approximately 10% ytd and US Cyclicals leading by around 12%. Importantly, the leadership holds even when stripping out Tech and AI exposures, suggesting it is not merely a function of the narrow AI trade.

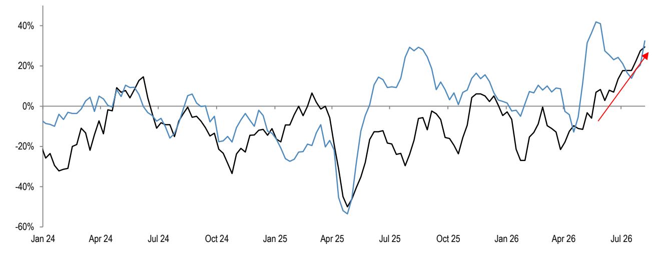
Figure 4: European Low Vol basket relative to Stoxx 600



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

With the tactical Low Vol bounce having run its course, we expect beta to resume rallying, and we view the thematic groups below as the most durable expression of that Cyclical preference.

Figure 5: MSCI Eurozone and US Weekly EPS Revisions



Source: IBES

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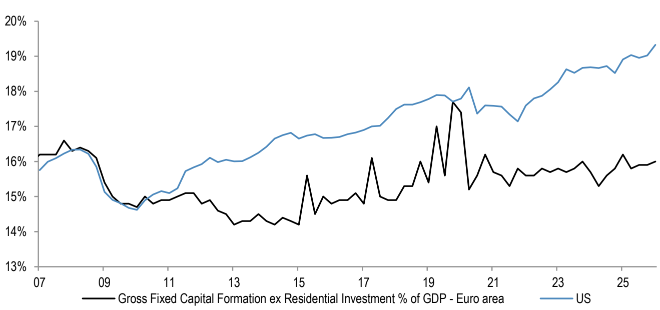
We continue to target fresh index highs into year end. The earnings tailwind underpinning our stance is clearest in Europe, where we expect Eurozone EPS growth of 18% in '26 and 12% in '27. We have recently upgraded our European index targets on the combination of strong earnings delivery, improving breadth, and the prospect of easing financial conditions.

In this report, we refresh our thematic framework, with the focus on Europe, where a structural shift from an efficiency and economies of scale model toward security, resiliency, and strategic autonomy is reshaping the multi-year capital spending outlook. This follows a similar report from our U.S. team - see here.

The structural shift from efficiency to resilience

Reflecting a global trend, Europe too is attempting to move from a model that targeted efficiency and economies of scale toward one that prioritizes security, resiliency, and strategic autonomy. This is driven by continued geopolitical uncertainty, from Ukraine to the Middle East, a more transactional US policy stance, and intensifying competition from China. The market implication is a longer lasting, policy supported capex cycle spanning defence, energy systems, grids, industrial capacity, digital infrastructure, and selected critical supply chains. Because Europe starts from a deeper underinvestment in defence readiness, grid build, and industrial capacity relative to the US, the catch up could be meaningful and multi-year in nature.

Figure 6: Product investment - Real gross fixed capital formation excluding residential investment, % of GDP



Source: EIB 2024

We believe the investment gap is the single most important framing for this opportunity. Europe has under-invested in physical and strategic capacity for over a decade, and the policy response now underway is designed to close that gap. Unlike a conventional cyclical upswing, the drivers here are multi-year budgets, procurement commitments, and regulation, which extend the duration of the spend well beyond a single cycle.

Table 1: Timeline of Key European Policies

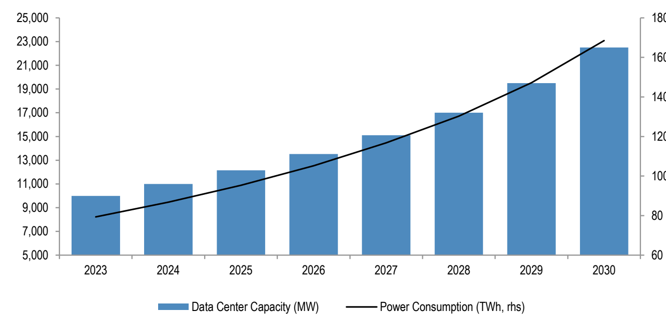
Date	Policy	Milestone
08-Mar-22	REPowerEU	Initial REPowerEU concept outlined (communication on secure, affordable energy).
18-May-22	REPowerEU	Full REPowerEU Plan published.
16-Mar-23	Critical Raw Materials Act	Commission proposal published.
16-Mar-23	Net Zero Industry Act	Commission proposal published.
17-May-23	CBAM	Regulation (EU) 2023/956 enters into force.
01-Oct-23	CBAM	Transitional (reporting-only) phase begins.
05-Mar-24	EDIP	Commission proposal published.
23-May-24	Critical Raw Materials Act	CRMA enters into force.
29-Jun-24	Net Zero Industry Act	NZIA enters into force.
04-Mar-25	ReArm Europe / "Readiness 2030"	von der Leyen announces the plan (~€800bn, incl. SAFE ~€150bn loans).
18-Mar-25	Germany — debt-brake reform + €500bn fund	Bundestag approves constitutional reform and €500bn infrastructure fund.
19-Mar-25	ReArm Europe	White Paper on European Defence presented.
21-Mar-25	Germany — debt-brake reform	Bundesrat approves the reform.
01-Jan-26	CBAM	Definitive regime begins; CBAM certificates required as ETS free allowances phase out.

Source: Bloomberg Finance L.P.

The policy impulse in Europe is scattered across a range of programs and sectors. The presence of multiple programs creates overlapping multi-year commitments to fund the physical infrastructure. We have identified five thematic categories that stand to benefit from this sustained, multi-year shift.

1) Energy security, grid upgrade, renewables and nuclear

Figure 7: Electricity demand capacity for Europe Data centers and Power Consumption



Source: J.P. Morgan. European Utilities Research

Energy security has become a critical priority as power demand accelerates sharply, driven by hyperscalers, AI data centers, electrification, and industrial reshoring. In Europe, the issue became even more urgent following Russia's invasion of Ukraine, which exposed the region's dependence on imported energy and forced a rapid rethink of gas supply, storage, LNG infrastructure, and grid resilience. At the same time, instability in the Middle East has reinforced the risks around global energy flows and price volatility. For European governments and companies, securing reliable and affordable energy is now a strategic requirement, not only to support rising demand, but also to protect industrial competitiveness, digital infrastructure, and broader economic resilience.

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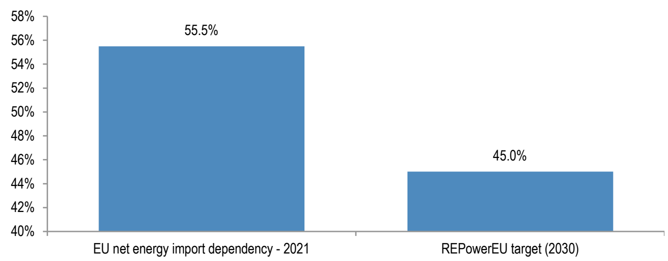
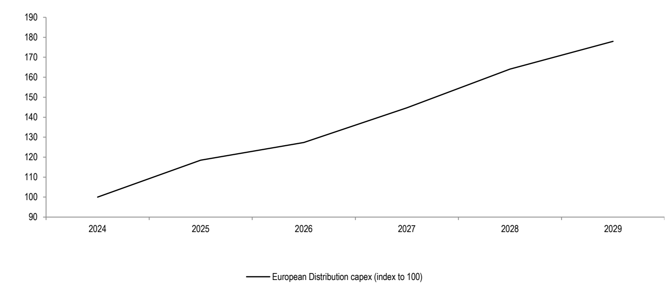
Figure 8: EU net energy import dependency - 2021 vs RePower target (2030)



Source: Bloomberg Finance L.P.

The post REPowerEU drive to cut strategic energy dependence, alongside the Critical Raw Materials Act and Net Zero Industry Act, is actively supporting domestic capacity. We believe this is the most mature of the five themes, with policy having shifted from ambition to implementation. The result is a sustained demand pull for grid equipment and renewables build.

Figure 9: European Distribution capex (index to 100)

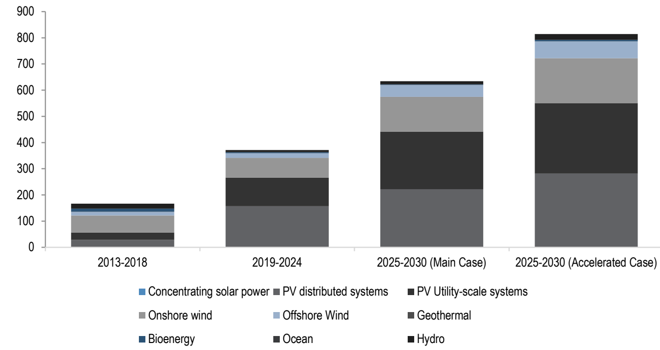


Source: J.P. Morgan European Cap Goods Researh

In our view, investment in the power grid is one of the most overlooked challenges in the energy transition. Renewable energy projects cannot connect to the grid, and electrification cannot move forward, without major upgrades to transmission and distribution networks.

We see this creating steady demand over the next decade for Capital Goods companies that make electrical equipment and cables, as well as for the regulated Utilities that own the networks. This supports our Overweight view on Capital Goods and our positive view of the electrification supply chain.

Figure 10: Capacity growth by generation technology, Europe (GW)



Source: IEA

Beyond the grid, the buildout of renewable energy infrastructure is the other major opportunity in this space. The strategy will likely center on expanding wind and solar capacity.

Table 2: European Countries Nuclear Policy Reversals - 2022 vs Current

Country	2022 Stance	Now
Germany	Committed to completing its nuclear phase-out	Shut its last three reactors on 15 April 2023 — phase-out complete; the major exception to the pro-nuclear shift
France	Pro-expansion: Macron announced six new EPR2 reactors, with up to eight more possible	Dual push — life extension of the existing fleet plus new builds; EDF facing ~€460bn spend by 2040; nuclear central to decarbonisation and sovereignty
Italy	Nuclear phased out for decades (post-1987 exit)	Preparing a regulatory framework to restart nuclear via advanced small modular reactors, citing energy independence
Spain	Phase-out plan to close all reactors by 2035	Still officially committed to phase-out, but under pressure — Congress asked for a reversal (Feb 2025) and the regulator approved extend Almaraz to June 2030
Belgium	Total nuclear phase out policy	Extending the life of 2 units for at least 10 years and is now negotiating with Engie the taking over of ownership of all nuclear operations, including closed plants, to consider the re-opening of some closed capacity (an immediate stop to decommissioning activities was enacted).
Sweden	100% Renewable Power	Moved to 100% fossil free in June 2023, effectively opening the possibility of having new nuclear. In June 2026 Vatenfall awarded the first contracts for SMRs to Rolls Royce
United Kingdom	Supportive of nuclear as part of low-carbon mix	Extending plant lives — Sizewell B to at least 2055; Heysham 1 and Hartlepool extended to 2030 to bridge output gaps

Source: Bloomberg Finance L.P.

For a decade the political direction was to close nuclear plants, but the energy shock changed the calculation. Governments realised that renewables alone cannot guarantee power when the wind does not blow and the sun does not shine, and that importing gas is the very dependence they are trying to escape. Nuclear solves both problems at once. It is domestic and it runs around the clock, which is exactly what “energy security” requires. In the last few years, several countries have reversed course, extending plant lives and backing new builds.

These shifts have collectively helped stem the decline in nuclear power generation across the region, and we expect output to recover from here.

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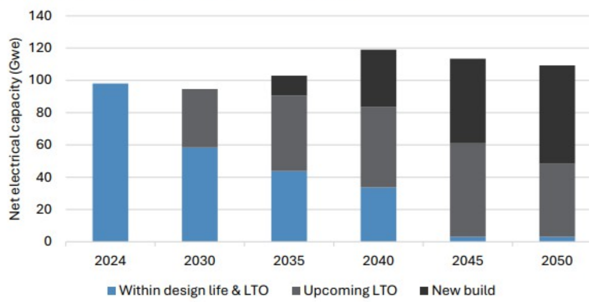
Figure 11: Base case scenario of large-scale power generation capacity in the EU 2024-2050

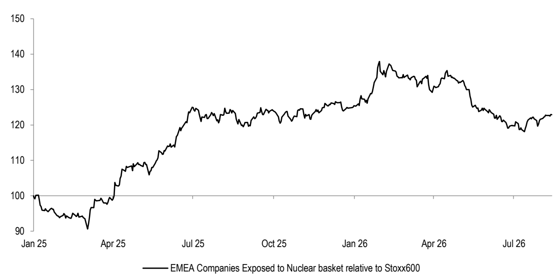
LTO = "Long Term Operations" (lifetime extensions)



Source: J.P. Morgan Sustainable Investing team

Major economies including France and the UK are committing tens of billions to new reactor construction and SMR development, while transitional markets such as Italy are establishing the legal frameworks to bring nuclear back online, targeting 11–22% of energy demand by 2050.

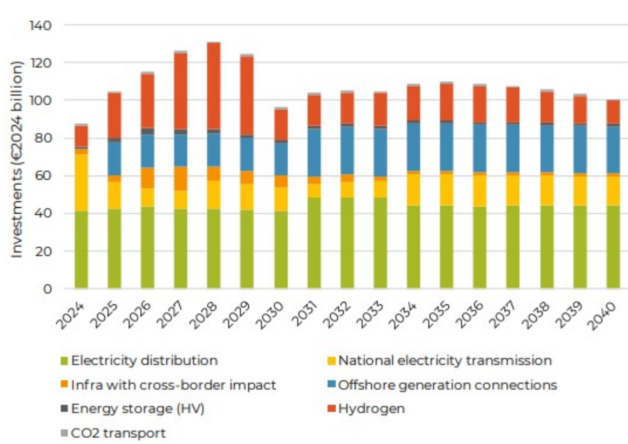
Figure 12: EMEA Companies Exposed to Nuclear basket relative to Stoxx600



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

The nuclear exposed names have underperformed the market this year and could start trading better if the theme gets traction once again.

Figure 13: Estimated Investments in Energy Infrastructure



Source: European Commission

Looking at committed spend into energy generation, the Hydrogen related allocation stands out. However, we believe a large portion of this is likely to focus on pipelines and other supporting infrastructure, rather than core generation itself.

Table 3: European companies exposed to the Energy Independence theme

Ticker	Company Name	Sector	Classification
NDX1 GY Equity	NORDEX SE	Industrials	Renewables, Energy Security
S92 GY Equity	SMA SOLAR TECHNOLOGY AG	Industrials	Renewables, Energy Security
FORTUM FH Equity	FORTUM OYJ	Utilities	Renewables, Energy Security
NEL NO Equity	NEL ASA	Industrials	Renewables
NESTE FH Equity	NESTE OYJ	Energy	Renewables
ANE SQ Equity	CORP ACCIONA ENERGIAS RENOVA	Utilities	Renewables
EDPR PL Equity	EDP RENEWABLES SA	Utilities	Renewables
SCATC NO Equity	SCATEC ASA	Utilities	Renewables
BKW SE Equity	BKW AG	Utilities	Renewable, Grid Upgrade
EDP PL Equity	EDP SA	Utilities	Renewable, Grid Upgrade
ANTO LN Equity	ANTOFAGASTA PLC	Materials	Renewable, Grid Upgrade
BOL SS Equity	BOLIDEN AB	Materials	Renewable, Grid Upgrade
LUMI SS Equity	LUNDIN MINING CORP	Materials	Renewable, Grid Upgrade
VER AV Equity	VERBUND AG	Utilities	Renewable, Grid Upgrade
ENR GY Equity	SIEMENS ENERGY AG	Industrials	Renewable, Energy Security, Grid Upgrade, Nuclear
SSE LN Equity	SSE PLC	Utilities	Renewable, Energy Security, Grid Upgrade
RWE GY Equity	RWE AG	Utilities	Renewable, Energy Security, Grid Upgrade
ENEL IM Equity	ENEL SPA	Utilities	Renewable, Energy Security, Grid Upgrade
NEX FP Equity	NEXANS SA	Industrials	Renewable, Energy Security, Grid Upgrade
NKT DC Equity	NKT A/S	Industrials	Renewable, Energy Security, Grid Upgrade
PRY IM Equity	PRYSMIAN SPA	Industrials	Renewable, Energy Security, Grid Upgrade
DRX LN Equity	DRAX GROUP PLC	Utilities	Renewable, Energy Security
ORSTED DC Equity	ORSTED A/S	Utilities	Renewable, Energy Security
ERG IM Equity	ERG SPA	Utilities	Renewable, Energy Security
GRE SQ Equity	GRENERGY RENOVABLES	Utilities	Renewable, Energy Security
SLR SQ Equity	SOLARIA ENERGIA Y MEDIO AMBI	Utilities	Renewable, Energy Security
VWS DC Equity	VESTAS WIND SYSTEMS A/S	Industrials	Renewable, Energy Security
BAB LN Equity	BABCOCK INTL GROUP PLC	Industrials	Nuclear
CNA LN Equity	CENTRICA PLC	Utilities	Nuclear
CEZ CP Equity	CEZ AS	Utilities	Nuclear
IMI LN Equity	IMI PLC	Industrials	Nuclear
KSB3 GR Equity	KSB SE & CO KGAA-VORZUG	Industrials	Nuclear
KAP LI Equity	NAC KAZATOMPROM JSC-GDR REG!	Energy	Nuclear
RNWH LN Equity	RENEW HOLDINGS PLC	Industrials	Nuclear
RR/ LN Equity	ROLLS-ROYCE HOLDINGS PLC	Industrials	Nuclear
SFR LN Equity	SEVERFIELD PLC	Industrials	Nuclear
SNN RO Equity	SOCIETATEA NATIONALA NUCLEAR	Utilities	Nuclear
ASY FP Equity	ASSYSTEM	Industrials	Nuclear
SVIK SS Equity	STUDSVIK AB	Industrials	Nuclear
YCA LN Equity	YELLOW CAKE PLC	Energy	Nuclear
IBE SQ Equity	IBERDROLA SA	Utilities	Grid Upgrade, Renewable, Energy Security
SIE GY Equity	SIEMENS AG-REG	Industrials	Grid upgrade
SU FP Equity	SCHNEIDER ELECTRIC SE	Industrials	Grid upgrade
LAND SE Equity	LANDIS + GYR GROUP AG	Information Technology	Grid upgrade
WCH GY Equity	WACKER CHEMIE AG	Materials	Energy security, Grid upgrade
BEAN SE Equity	BELIMO HOLDING AG-REG	Industrials	Energy security
BEIJB SS Equity	BEIJER REF AB	Industrials	Energy security
MTRS SS Equity	MUNTERS GROUP AB	Industrials	Energy security

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

More broadly, we would frame the opportunity across the value chain rather than a single sub-sector. The electricals and cables complex within Capital Goods offers the cleanest read on grid spend, while regulated Utilities offer a lower beta way to participate.

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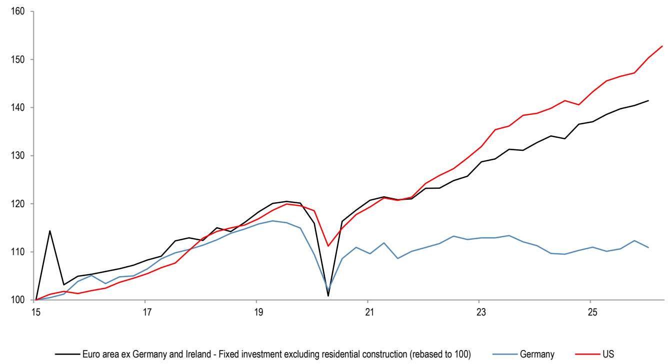
2) German fiscal expansion and infrastructure upgrade

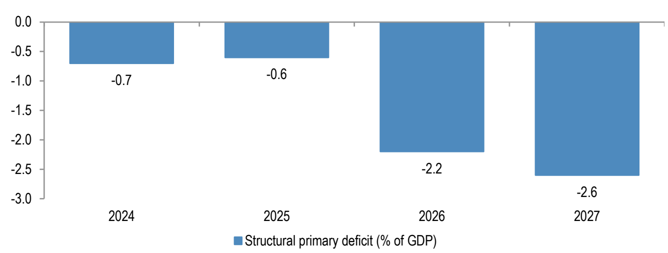
Figure 14: Euro area, Germany and US - Fixed investment excluding residential construction (rebased to 100)



Source: J.P. Morgan.

Over the last few decades, Germany, and much of Europe, spent the efficiency era **under-investing** in its own physical base. German public investment ran well below the euro-area average and below estimated replacement needs for much of the past decade, the net public capital stock was broadly stagnant or declining in real terms through the 2010s, resulting in an infrastructure backlog across roads, rail, bridges, schools etc. Digital and grid build lagged peers on both coverage and capacity. Given the chronic shortfall, the duration of catch-up spending is not a cyclical top-up but the repair of years of deferred maintenance and modernization.

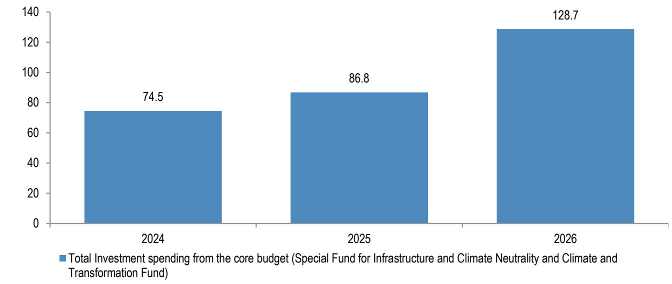
Figure 15: Germany structural primary deficit



Source: J.P. Morgan.

Germany's structural primary deficit is set to widen from -0.6% of GDP in 2025 to -2.2% in 2026 and -2.6% in 2027, a fiscal easing of approximately 2% of GDP over two years. The total federal deficit, including Special Funds, is projected to remain at around 4% of GDP through 2030. This is a meaningful shift. Markets have largely faded the German stimulus trade since Q1, and we think that is a mistake. The €500bn infrastructure fund is real, and the issue so far has been timing and planning rather than commitment.

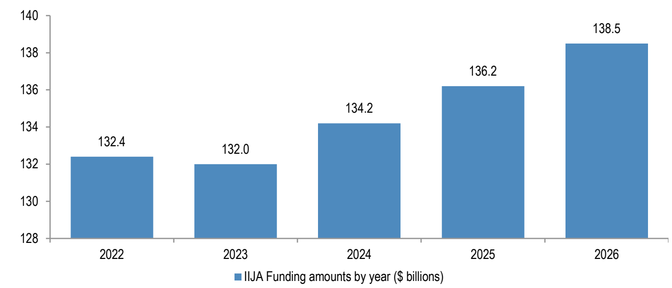
Figure 16: Germany's total Investment spending from the core budget



Source: Germany Finance Ministry, 2026 is forecast

The 2026 trajectory is beginning to diverge meaningfully from prior years. Finance Ministry estimates suggest spending from the Special Fund for Infrastructure and Climate Neutrality alone could lift GDP by 0.5%.

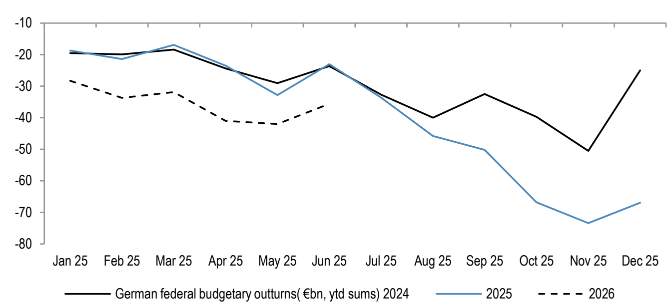
Figure 17: US IIJA Funding amounts by year



Source: Bureau of Transportation Statistics

For context, the US Infrastructure Investment Jobs Act authorized $1.2tn of funding in 2021 yet is only now in peak execution phase. The transition from appropriations to outlays has effectively taken five years. European corporates with US exposure are seeing the revenue uplift today. The lesson for Europe's own infrastructure cycle is that the gap between political commitment and earnings delivery is long, but once it arrives, it is likely to persist for years. We believe Europe is approaching the early stages of that inflection.

Figure 18: German federal budgetary outturns



Source: J.P. Morgan.

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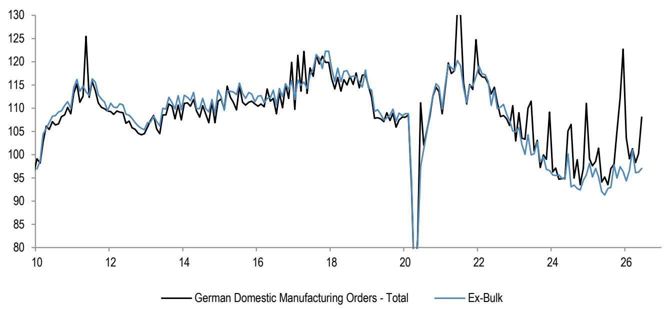
Early signs of fiscal acceleration are emerging. By June 2026, the cumulative federal deficit was already €12bn wider than at the same point last year, representing half of the full year widening implied by the 2026 budget.

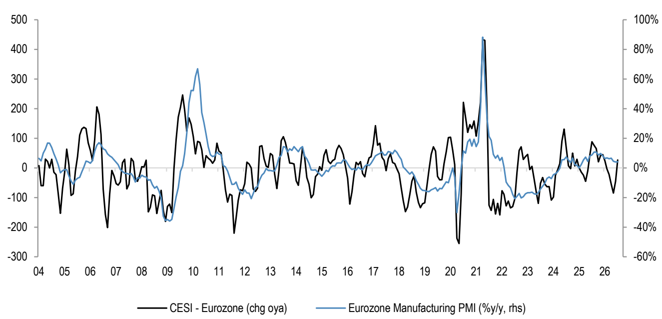
Figure 19: German Domestic Manufacturing Orders



Source: J.P. Morgan.

We are seeing an inflection in total domestic orders ex-bulk, indicating a broad-based demand recovery beyond just defence procurement. This is an encouraging sign that the fiscal impulse is feeding through into the real economy.

Figure 20: Eurozone Manufacturing PMI and CESI



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

The Eurozone economic surprise index is at elevated levels, reflecting recent data prints coming in better than consensus expected, while the Manufacturing PMI has been improving. We see the fiscal impulse as one of the factors behind this firming in the macro data, and expect the flow through to Industrials, building materials, and construction to become more visible in earnings over the coming quarters.

Table 4: Beneficiaries of German Fiscal Stimulus

Spend area	What gets built	Primary beneficiaries	Second-order beneficiaries
Transport	Rail, bridges, roads	EPC, engineering	Aggregates, cement, machinery
Digital	Fibre, network upgrades	Telecom, contractors	Power management, datacentre supply
Grid	Transmission and distribution	Cables, switchgear, transformers	Software, metering, storage
Industrial upgrade	Automation, electrification	Automation, drives, controls	Sensors, testing, components
Housing and retrofit	Build and renovate	Construction and materials	Heat pumps, insulation, electrification

Source: Bloomberg Finance L.P.

Germany's fiscal spending plans should create a broad set of beneficiaries across the real economy, with the most direct impact in transport, digital infrastructure, grid investment, industrial upgrading, and housing retrofit. Transport spending on rail, bridges, and roads should support EPC contractors, engineering firms, and suppliers of aggregates, cement, and machinery. Digital investment in fibre and network upgrades should benefit telecom operators and contractors, while also creating second-order demand for power management and data centre supply chains. Grid spending on transmission and distribution is particularly important for cables, switchgear, and transformer manufacturers, with additional opportunities in software, metering, and storage. Industrial upgrade programs should support automation, drives, and controls, while housing and retrofit spending should benefit construction materials, heat pumps, insulation, and broader electrification suppliers.

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Table 5: JPM Eurozone Fiscal Stimulus Basket - JPEZFIST Index

Ticker	Company Name	Sector
SIE GY Equity	SIEMENS AG-REG	Industrials
DG FP Equity	VINCI SA	Industrials
DBK GY Equity	DEUTSCHE BANK AG-REGISTERED	Financials
DHL GY Equity	DHL GROUP	Industrials
VOLVB SS Equity	VOLVO AB-B SHS	Industrials
EBS AV Equity	ERSTE GROUP BANK AG	Financials
MT NA Equity	ARCELORMITTAL	Materials
DSV DC Equity	DSV A/S	Industrials
BAS GY Equity	BASF SE	Materials
HOLN SE Equity	HOLCIM LTD	Materials
CBK GY Equity	COMMERZBANK AG	Financials
SGO FP Equity	COMPAGNIE DE SAINT GOBAIN	Industrials
DTG GY Equity	DAIMLER TRUCK HOLDING AG	Industrials
SIKA SE Equity	SIKA AG-REG	Materials
HEI GY Equity	HEIDELBERG MATERIALS AG	Materials
GEBN SE Equity	GEBERIT AG-REG	Industrials
KSP ID Equity	KINGSPAN GROUP PLC	Industrials
EN FP Equity	BOUYGUES SA	Industrials
KBX GY Equity	KNORR-BREMSE AG	Industrials
FGR FP Equity	EIFFAGE	Industrials
AKZA NA Equity	AKZO NOBEL N.V.	Materials
TKA GY Equity	THYSSENKRUPP AG	Materials
EVK GY Equity	EVONIK INDUSTRIES AG	Materials
VOE AV Equity	VOESTALPINE AG	Materials
SPIE FP Equity	SPIE SA	Industrials
NDA GY Equity	AURUBIS AG	Materials
ALO FP Equity	ALSTOM	Industrials
BZU IM Equity	BUZZI SPA	Materials
NEM GY Equity	NEMETSCHEK SE	Information Technology
TKMS GY Equity	TKMS AG& CO KGAA	Industrials
ROCKB DC Equity	ROCKWOOL A/S-B SHS	Industrials
KGX GY Equity	KION GROUP AG	Industrials
WCH GY Equity	WACKER CHEMIE AG	Materials
IOS GY Equity	IONOS GROUP SE	Information Technology
BC8 GY Equity	BECHTLE AG	Information Technology
SZG GY Equity	SALZGITTER AG	Materials
SRAIL SE Equity	STADLER RAIL AG	Industrials
LXS GY Equity	LANXESS AG	Materials

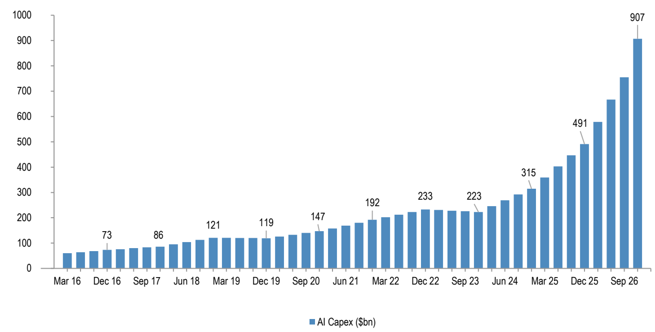
Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket. This basket has been created to leverage the theme of this research report. It includes companies that are not covered by J.P. Morgan Research and should not be viewed as a recommendation with respect to these companies. For more details, see Appendix

Our Eurozone fiscal stimulus basket includes companies expected to benefit from an acceleration in fiscal spending across the region. This basket focuses on firms likely to see increased demand for their products and services as government investment boosts infrastructure, public works, and economic activity throughout Eurozone. The basket was compiled using inputs from European Equity Research sector analysts.

3) Strategic technologies

Europe's strategic technology opportunity is not the same as the U.S. playbook. The U.S. is more exposed to consumer platforms, hyperscale cloud, frontier AI platforms, and mega-cap software ecosystems. Europe's strongest positions are more upstream and industrial, i.e. semiconductor equipment, industrial automation, sensors, defence technologies, industrial software and power electronics.

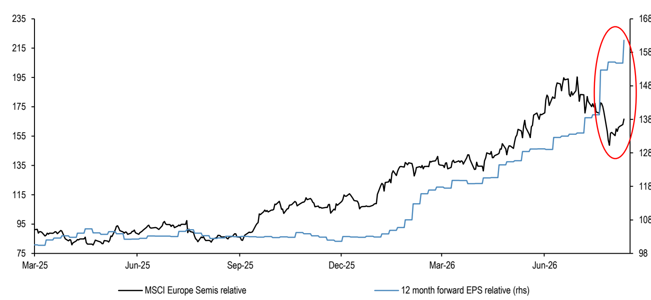
Figure 21: AI Capex



Source: J.P. Morgan. Equity Strategy and Quantitative Research

AI capex has scaled dramatically, and our Tech analysts continue to expect this wave of spending to be sustained beyond 2026, benefitting the entire semiconductor value chain. For Europe, the strategic technologies theme centres on AI build-out and supply chain independence, where the region hosts globally critical assets in semiconductor equipment even as it seeks to reduce external dependence.

Figure 22: MSCI Europe Semis relative - Price and 12m Fwd EPS



Source: IBES, Datastream

An increasing gap has opened between Semis price relative and earnings relative, with the stocks having rolled over despite continued earnings resilience. With fundamentals staying strong and meaningful supply additions not due before 2028, we think investors should add to the space, and we retain our Overweight on Semis. We would, however, distinguish the strategic buildout from the AI cannibalisation groups, staying fundamentally cautious on Software, Business Services, and Media.

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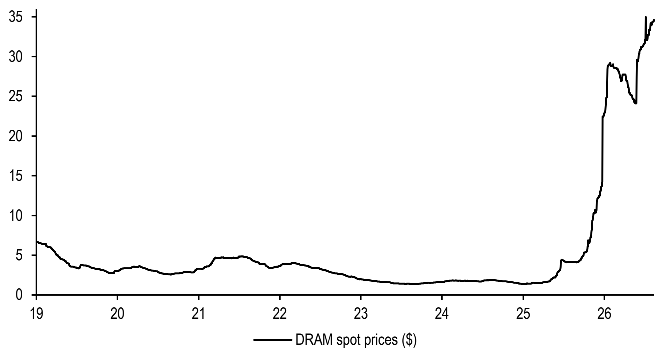
Figure 23: DRAM prices



Source: Bloomberg Finance L.P.

Our global Tech team points to structural DRAM/NAND supply demand tightness extending through 2028, with surging AI and server driven demand keeping conventional supply tight. We continue to view the EM memory trade as having legs and stay Overweight EM equities, but for European portfolios the cleaner exposure is via the semiconductor equipment and Technology Hardware names, where we hold an Overweight.

Table 6: European Companies Exposed to Frontier and Strategic Technologies

Ticker	Company Name	Sector	Reasoning
ETL FP equity	EUTELSAT COMMUNICATIONS	Communication Services	EC is investing in IRIS2 programme to develop LEO/MEO satellite constellation for military and commercial use which will be strategically important for EU's communication needs
SESG FP equity	SES	Communication Services	EC is investing in IRIS2 programme to develop LEO/MEO satellite constellation for military and commercial use which will be strategically important for EU's communication needs
MRK GR equity	MERCK KGAA	Health Care	Within Merck KGaA's Electronics segment, its Semi Solutions business supplies materials for semiconductor manufacturing, with growth driven by AI and advanced logic and memory nodes, giving it direct exposure to the semiconductor supply chain.
DIM FP equity	SARTORIUS STEDIM BIOTECH	Health Care	The Sartorius group uses AI-enabled instruments to generate faster, deeper and novel insights. It leverages its NVIDIA partnership to integrate AI-powered computing across life sciences, drug discovery and bioprocess manufacturing.
SRT GR equity	SARTORIUS AG	Health Care	The Sartorius group uses AI-enabled instruments to generate faster, deeper and novel insights. It leverages its NVIDIA partnership to integrate AI-powered computing across life sciences, drug discovery and bioprocess manufacturing.
ONT LN equity	OXFORD NANOPORE TECHNOLOGII	Health Care	ONT is using GPU/AI compute to accelerate sequencing and has partnered with NVIDIA to integrate the DGX Station A100 into its Promotion sequencing platform.
SIE GR equity	SIEMENS AG-REG	Industrials	Combining the real and digital worlds through industrial AI, digital twins and software-defined automation, enabling the next generation of smart factories and infrastructure.
ATCOA SS equity	ATLAS COPCO AB-A SHS	Industrials	Semis proxy
VACN SW equity	VAT GROUP AG	Industrials	Market leader in vacuum valves used in semiconductor manufacture
ASML NA equity	ASML HOLDING NV	Information Technology	Market leader in lithography
IFX GY equity	INFINEON TECHNOLOGIES AG	Information Technology	Market leader in AI/DC power semiconductors
NOKIA FH equity	NOKIA OYJ	Information Technology	Supplier of optical and networking equipment
ASM NA equity	ASM INTERNATIONAL NV	Information Technology	Market leader in leading edge deposition tools
STMPA FP equity	STMICROELECTRONICS NV	Information Technology	Market leader design and manufacture of analog, MCU and power semiconductors.
ERICB SS equity	ERICSSON LM-B SHS	Information Technology	Market leader in wireless infrastructure
BESI NA equity	BE SEMICONDUCTOR INDUSTRIES	Information Technology	Market leader in advanced packaging equipment
HLMA LN equity	HALMA PLC	Information Technology	Via its Photonics business, the group is benefiting from strong growth in optical-switch and related light-based technologies that are closely tied to AI infrastructure and high-speed data connectivity.
AIXA GY equity	AIXTRON SE	Information Technology	Market leader in deposition equipment used in laser production
SOI FP equity	S.O.I.T.E.C.	Information Technology	Market leader in production of silicon photonic wafers
OXIG LN equity	OXFORD INSTRUMENTS PLC	Information Technology	Exposed to frontier semiconductor and quantum technologies through its compound semiconductor and quantum-enabled fabrication, measurement and cryogenic solutions.
MRL SQ Equity	MERLIN PROPERTIES SOCIMI SA	Real Estate	DC Developers

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

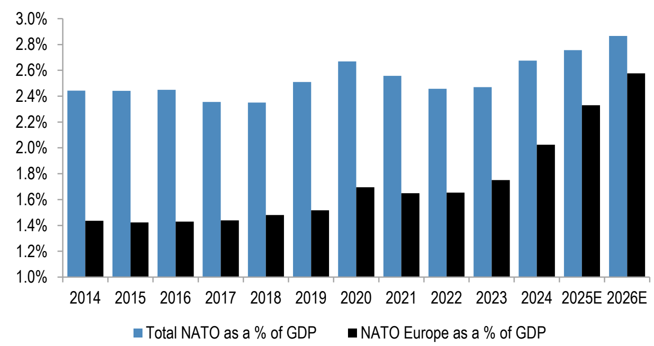
In addition to **semiconductors,** several other sectors also show a genuine competitive edge. In **telecom infrastructure**, Ericsson (wireless/RAN) and Nokia (optical and networking) give the bloc rare end-to-end capability, while Siemens leads in **industrial AI and software-defined automation**.

The EU also demonstrates strength in **photonics and optical connectivity** (Halma) and **quantum and compound-semiconductor enablement** (Oxford Instruments), as well as **AI-enabled life sciences tools**, led by Sartorius, Sartorius Stedim Biotech and Oxford Nanopore. Finally, in **satellite communications**, Eutelsat and SES underpin the EU's sovereign connectivity ambitions through the strategically important IRIS2 constellation programme.

4) Defence modernization

Defence is the clearest example of Europe moving from efficiency to resilience. For years, Europe underinvested in readiness, inventories, munitions, air defence, and sustainment. The Russia-Ukraine war changed the policy baseline.

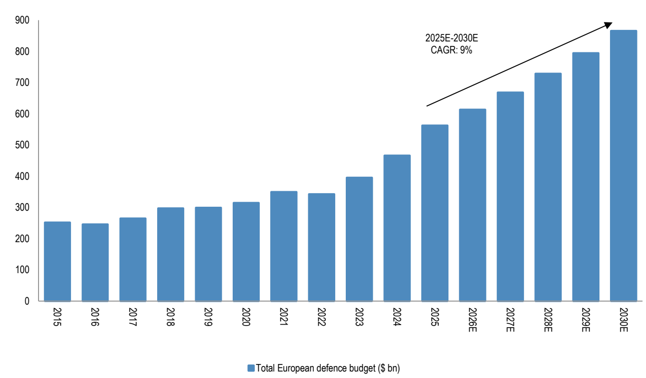
Figure 24: NATO Europe and Total NATO defence spend % of GDP



Source: J.P. Morgan. European Aerospace & Defense Research

Many European NATO members spent below the 2% of GDP guideline. The post-Cold-War "peace dividend" saw real defence budgets drift lower over decades, munitions stockpiles were run down faster than they were replenished, and equipment readiness across several fleets sat at low availability. Procurement was fragmented across national programs, limiting scale and slowing capacity build.

Figure 25: Total European defence budget ($ bn)



Source: J.P. Morgan. European Aerospace & Defense Research

Rising NATO spending commitments and EU-level joint procurement, including ReArm Europe and EDIP-type programs and common munitions replenishment contracts, provide a durable demand backdrop for the sector.

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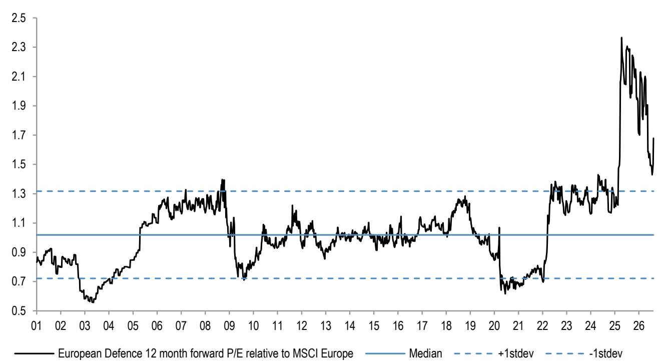
Figure 26: European defense basket relative

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

After a multi-year positive view on the Defence sector, we turned cautious last summer. We argued for a rollover as the theme became crowded, and in our February Thematic update we retained a more cautious view on Defence.

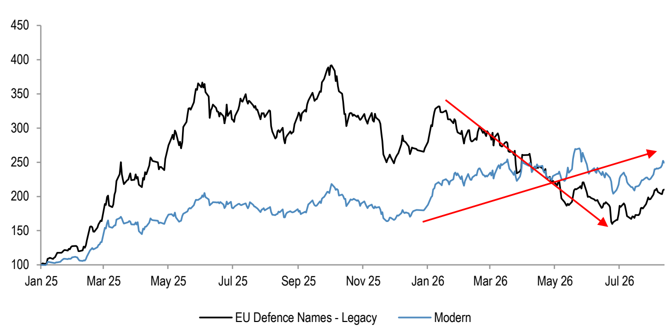
Figure 27: European Defence 12m Fwd P/E relative to MSCI Europe



Source: IBES

With Defence having derated meaningfully, we believe the risk/reward for the group will turn better going forward. Our preference, though, is for new capabilities rather than legacy platforms, i.e. drones, electronic warfare, munitions replenishment, and space, rather than legacy warships or heavy armoured vehicles. We would use the de-rating as an opportunity to rebuild exposure selectively rather than chase the sector wholesale.

Figure 28: EU Defence - Legacy vs Modern warfare exposed defence names



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

Investors have increasingly framed the sector opportunity as a capability-driven barbell. Companies exposed to missiles, drones, and air defence systems have seen share prices and multiples rise sharply, while legacy heavy-platform franchises have lagged following the earlier rally.

This selective approach is consistent with our broader preference for Cyclicals with genuine earnings delivery over crowded thematic exposure.

If Europe wants more defence production, it needs more automation, machine tools, testing equipment, components, power systems, and industrial software. It connects defence directly to Capital Goods.

Table 7: JPM European defence plays

Ticker	Company Name	Sector
BA/ LN Equity	BAE SYSTEMS PLC	Industrials
RHM GY Equity	RHEINMETALL AG	Industrials
HO FP Equity	THALES SA	Industrials
LDO IM Equity	LEONARDO SPA	Industrials
SAABB SS Equity	SAAB AB-B	Industrials
KOG NO Equity	KONGSBERG GRUPPEN ASA	Industrials
AM FP Equity	DASSAULT AVIATION SA	Industrials
CSG NA Equity	CSG NV	Industrials
HAG GY Equity	HENSOLDT AG	Industrials
BAB LN Equity	BABCOCK INTL GROUP PLC	Industrials
TKMS GY Equity	TKMS AG& CO KGAA	Industrials
R3NK GY Equity	RENK GROUP AG	Industrials
QQ/ LN Equity	QINETIQ GROUP PLC	Industrials
EXENS FP Equity	EXOSENS SAS	Industrials

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket. This basket has been created to leverage the theme of this research report. It includes companies that are not covered by J.P. Morgan Research and should not be viewed as a recommendation with respect to these companies. For more details, see Appendix. The highlighted names are exposed to end markets seen as benefiting from the structural shift in warfare i.e. drones etc instead of combat warfare.

The list above of European defense plays includes stocks that are significantly exposed to the European defense sector. The basket includes firms that stand to benefit from a structural shift in government policy, as European countries move to reverse decades of under-investment in defense and security.

Modern defense names include **Hensoldt (N)**, **Leonardo (OW)**, and **Saab (Not Covered)**, focused on radars and sensors (with Saab also in airborne early-warning aircraft and naval platforms), alongside **Thales (N)** and **BAE Systems (OW)**, which offer broader air-defence suites spanning radars, C2, electronic warfare/jamming, and missiles. **Kongsberg Defence (Not Covered)** is present in missiles and missile systems, **Exosens (OW)** in image-intensifier tubes and optics for night vision and drones, and **OHB (OW)** in satellites for European institutions and the German military.

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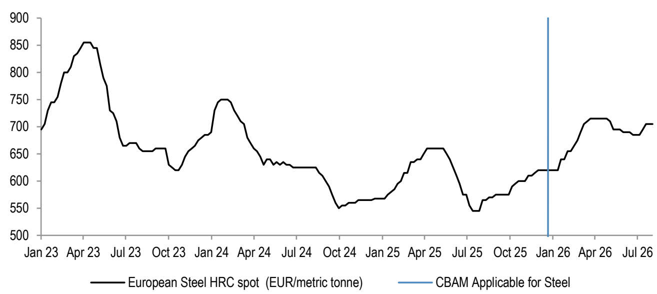
Table 8: European beneficiaries of secondary defence spending

Ticker	Company Name	Sector
HEXAB SS Equity	HEXAGON AB-B SHS	Information Technology
IDR SQ Equity	INDRA SISTEMAS SA	Information Technology
SSABA SS Equity	SSAB AB-A SHARES	Materials
SMIN LN Equity	SMITHS GROUP PLC	Industrials
TKA GY Equity	THYSSENKRUPP AG	Materials
SYENS BB Equity	SYENSQO SA	Materials
SHA0 GY Equity	SCHAEFFLER AG	Consumer Discretionary
UMI BB Equity	UMICORE	Materials
AALB NA Equity	AALBERTS NV	Industrials
IVG IM Equity	IVECO GROUP NV	Industrials
SRP LN Equity	SERCO GROUP PLC	Industrials
ETL FP Equity	EUTELSAT COMMUNICATIONS	Communication Services
SESG FP Equity	SES	Communication Services
BOY LN Equity	BODYCOTE PLC	Industrials
MGAM LN Equity	MORGAN ADVANCED MATERIALS PI	Industrials
STM GY Equity	STABILUS SE	Industrials

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

5) Increased EU protectionism

Figure 29: European Steel price

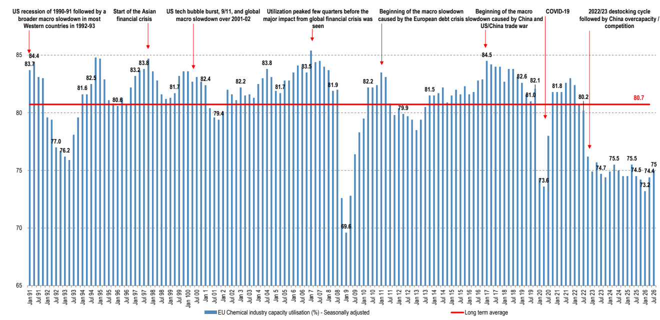


Source: Bloomberg Finance L.P.

On protectionism and sovereignty, Europe's preference for standards and regulation over simple tariffs is already visible. The Carbon Border Adjustment Mechanism (CBAM), local content requirements in wind, grids, and defence, foreign subsidy screening, and anti subsidy actions on EVs, solar, and wind together form a coherent, rules based approach to reshoring value. We see this as structurally supportive for domestic producers of steel and building materials, which recur as beneficiaries across several of our themes.

We believe a regulation that raises the effective cost of carbon-intensive imports tilts the competitive balance toward domestic capacity. This is a slower burn than a tariff shock, but more durable, and it reinforces the investability of the physical infrastructure layer. Within Materials, we are Overweight, with Metals & Mining a preferred exposure on a constructive commodity and bearish USD backdrop.

Figure 30: EU Chemical industry capacity utilisation (%)



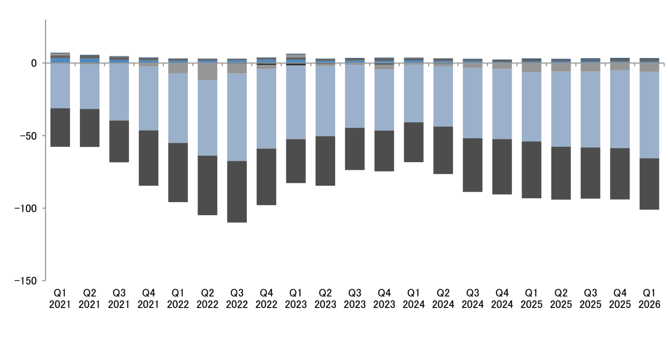
Source: J.P. Morgan. European Chemicals Research

Chemicals is another sector which could be in scope of an expanded protectionist EU policy framework. European producers have been squeezed for years by a wave of low-cost Chinese supply, much of it built on cheaper energy and state support, at the same time as Europe's own energy costs rose. The result is a sector running below normal utilisation.

At present, the scope of CABM only covers fertilizers and hydrogen, leaving the rest of the sector exposed to higher costs and could prove to be damaging for the overall Chemical sector.

If Europe applies the same rules-based toolkit it is already using elsewhere, i.e. anti-subsidy actions, carbon border charges, or anti-dumping measures on Chinese chemical imports, it would tilt the playing field back toward domestic producers. Because the sector is already trading at low valuations and low margins, even a modest improvement in the competitive balance could have an outsized effect on profits. We see Chemicals as a lower conviction but high optionality way to play the protectionism theme.

Table 9: EU - China trade balance by product group (EUR bn)



Source: Eurostat

This is a pattern across a number of industries where Chinese producers have been gaining market share over the last several years.

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Table 10: Carbon Border Adjustment Mechanism (CBAM) impact on different sectors

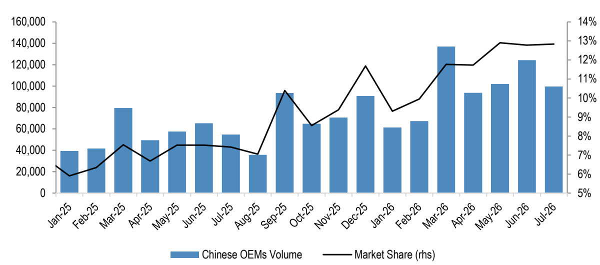
Sector	Benefit / impact
Steel	Clear beneficiary. CBAM + tariffs + rising EUA price steepen the import cost curve (import cost €43–135/t in 2026, up to €103–325/t by 2030); enhances domestic pricing power and supports sector earnings recovery
Cement	Beneficiary. Protected from cheaper carbon-intensive imports; decarbonizers (Heidelberg, Holcim) retain a cost advantage; July 2026 extension of free-allocation phase-out to 2038 seen as relatively positive
All covered industries	Enhanced pricing power; imports can no longer undercut on carbon-intensive goods; reduces carbon-leakage risk and lets domestic producers maintain or raise prices
Chemicals	At risk. Only fertilizers & hydrogen covered — rest of the sector exposed to carbon leakage and more vulnerable to rising EUA prices; any exemption or extra allowance supply would be a positive
Autos	Cost headwind. Second-largest steel buyer (19.7% of EU finished steel demand) and significant aluminium buyer; faces higher COGS from CBAM-covered inputs, a concern investors are starting to question
Capital Goods	Cost headwind. Higher raw-material costs for CBAM-covered goods, partly offset by hedging (6–12 months out), multi-year price-escalation clauses, and pass-through to customers

Source: J.P. Morgan.

The Carbon Border Adjustment Mechanism (CBAM) creates clear **winners** among upstream producers of covered materials. **Steel** is the standout beneficiary, as CBAM, tariffs and a rising EUA price steepen the import cost curve, enhancing domestic pricing power and supporting an earnings recovery. **Cement** also benefits, with decarbonizers like Heidelberg and Holcim shielded from cheaper carbon-intensive imports. More broadly, all covered industries gain pricing power as imports can no longer undercut them on carbon-intensive goods, reducing carbon-leakage risk.

That said, there are potential losers too. Autos and Capital Goods face a cost headwind, as major buyers of CBAM-covered inputs like steel and aluminium (autos alone account for 19.7% of EU finished steel demand) absorb higher COGS, though capital goods can partly offset this through hedging and pass-through to customers. Chemicals is also at risk, since only fertilizers and hydrogen are covered, leaving the rest of the sector exposed to carbon leakage and rising EUA prices.

Figure 31: Chinese OEMs Volume and market share



Source: J.P. Morgan. European Autos Research

Europe is already running anti-subsidy actions on Chinese EVs, and local content requirements for batteries are under discussion. Autos are a huge employer and a strategic industrial base, and Chinese EV makers have built a real cost and technology lead. Tariffs and local content rules buy domestic producers time to catch up. Our sector analysts expect the EU to move on two fronts. First, they anticipate the EU will implement tariffs against Chinese plug-in hybrid electric vehicles (PHEVs) which they think could materialize as early as this year. Second, they expect the EU to establish a local-content threshold for electric vehicles in Europe (around 70%), where EVs made in Europe would need to meet that level to be eligible for incentives, which they believe is likely to arrive in late 2027.

Clean tech manufacturing is where protectionism and energy security point in the same direction, which is what makes it c,m ompelling. The Net Zero Industry Act explicitly aims to rebuild domestic clean tech capacity, and local content requirements in wind and grids are already appearing. Chinese solar in particular has undercut European producers so heavily that much of the domestic industry has closed.

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Table 11: European beneficiaries of increased EU protectionism

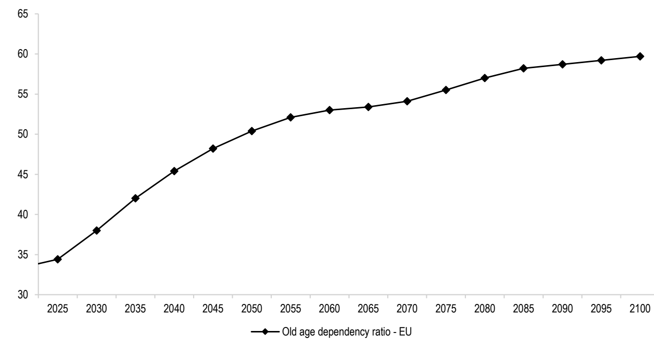
Ticker	Company Name	Sector
SIE GR Equity	SIEMENS AG-REG	Industrials
ENR GR Equity	SIEMENS ENERGY AG	Industrials
BA/ LN Equity	BAE SYSTEMS PLC	Industrials
DHL GR Equity	DHL GROUP	Industrials
HO FP Equity	THALES SA	Industrials
MT NA Equity	ARCELORMITTAL	Materials
SHL GR Equity	SIEMENS HEALTHINEERS AG	Health Care
HOLN SW Equity	HOLCIM LTD	Materials
LONN SW Equity	LONZA GROUP AG-REG	Health Care
MAERSKA DC Equity	AP MOLLER-MAERSK A/S-A	Industrials
PRY IM Equity	PRYSMIAN SPA	Industrials
LDO IM Equity	LEONARDO SPA	Industrials
HEI GR Equity	HEIDELBERG MATERIALS AG	Materials
VWS DC Equity	VESTAS WIND SYSTEMS A/S	Industrials
AM FP Equity	DASSAULT AVIATION SA	Industrials
HLAG GR Equity	HAPAG-LLOYD AG	Industrials
IAG LN Equity	INTL CONSOLIDATED AIRLINE-DI	Industrials
COLOB DC Equity	COLOPLAST-B	Health Care
HAG GR Equity	HENSOLDT AG	Industrials
LHA GR Equity	DEUTSCHE LUFTHANSA-REG	Industrials
SSABA SS Equity	SSAB AB-A SHARES	Materials
TKA GR Equity	THYSSENKRUPP AG	Materials
EVK GR Equity	EVONIK INDUSTRIES AG	Materials
VOE AV Equity	VOESTALPINE AG	Materials
ALO FP Equity	ALSTOM	Industrials
BZU IM Equity	BUZZI SPA	Materials
NKT DC Equity	NKT A/S	Industrials
BAB LN Equity	BABCOCK INTL GROUP PLC	Industrials
NEX FP Equity	NEXANS SA	Industrials
BANB SW Equity	BACHEM HOLDING AG	Health Care
GETIB SS Equity	GETINGE AB-B SHS	Health Care
UMI BB Equity	UMICORE	Materials
OHB GR Equity	OHB SE	Industrials
WCH GR Equity	WACKER CHEMIE AG	Materials
ACX SM Equity	ACERINOX SA	Materials
APAM NA Equity	APERAM	Materials
SZG GR Equity	SALZGITTER AG	Materials
SOLB BB Equity	SOLVAY SA	Materials
OUT1V FH Equity	OUTOKUMPU OYJ	Materials
SRAIL SW Equity	STADLER RAIL AG	Industrials
EKTAB SS Equity	ELEKTA AB-B SHS	Health Care
LXS GR Equity	LANXESS AG	Materials
VSVS LN Equity	VESUVIUS PLC	Industrials

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

The list above highlights companies that our sector analysts believe are well placed to benefit from EU's ongoing and potential protectionist actions.

Longer dated opportunities include...6) Ageing population

Figure 32: Old age dependency ratio - EU



Source: Eurostat

Population ageing is being driven by two structural forces: lower fertility rates and rising life expectancy. In developed markets, the working age population started to contract in 2024, and Japan and the Eurozone are among the most exposed. The main macro implication is fiscal. A higher dependency ratio means fewer workers supporting more retirees, which puts pressure on public pension systems and raises healthcare and long-term care spending. The EU old age dependency ratio is projected to increase from about 34% in 2024 to close to 60% by the end of the century. This points to sustained pressure on public finances and a policy mix that increasingly focuses on entitlement reform, higher health and care budgets, and tougher tax and spending trade offs.

From a market perspective, lower trend growth and a higher share of older cohorts with accumulated savings should keep downward pressure on equilibrium interest rates over time. Productivity gains from AI may provide some offset, but in several European economies, notably Germany, Italy and Spain, demographics are likely to remain the dominant drag relative to the 2000 to 2024 period. In equities, Healthcare stands out as the clearest structural beneficiary, spanning pharmaceuticals, biotechnology, medical devices and health technology, alongside senior care services. Wealth management, retirement solutions and life and health insurance also look well placed, with additional support in pharmacy retail and selected consumer categories that cater to older cohorts.

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Table 12: Companies likely to benefit from an ageing population trend

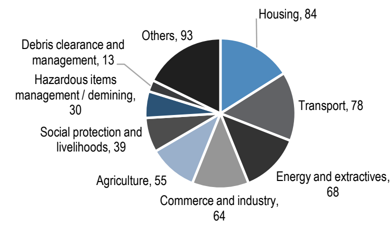
Ticker	Company Name	Sector
AGS BB Equity	AGEAS	Financials
ALC SW Equity	ALCON INC	Health Care
AMP IM Equity	AMPLIFON SPA	Health Care
ASRNL NA Equity	ASR NEDERLAND NV	Financials
AZN LN Equity	ASTRAZENECA PLC	Health Care
BAER SW Equity	JULIUS BAER GROUP LTD	Financials
CABK SM Equity	CAIXABANK SA	Financials
COLOB DC Equity	COLOPLAST-B	Health Care
CTEC LN Equity	CONVATEC GROUP PLC	Health Care
DEMANT DC Equity	DEMANT A/S	Health Care
EKTAB SS Equity	ELEKTA AB-B SHS	Health Care
ENR GR Equity	SIEMENS ENERGY AG	Industrials
FME GR Equity	FRESENIUS MEDICAL CARE AG	Health Care
FRE GR Equity	FRESENIUS SE & CO KGAA	Health Care
GETIB SS Equity	GETINGE AB-B SHS	Health Care
GN DC Equity	GN STORE NORD A/S	Consumer Discretionary
GSK LN Equity	GSK PLC	Health Care
HSBA LN Equity	HSBC HOLDINGS PLC	Financials
LGEN LN Equity	LEGAL & GENERAL GROUP PLC	Financials
LONN SW Equity	LONZA GROUP AG-REG	Health Care
MNG LN Equity	M&G PLC	Financials
NN NA Equity	NN GROUP NV	Financials
NOVN SW Equity	NOVARTIS AG-REG	Health Care
NOVOB DC Equity	NOVO NORDISK A/S-B	Health Care
PHIA NA Equity	KONINKLIJKE PHILIPS NV	Health Care
PRU LN Equity	PRUDENTIAL PLC	Financials
SAN FP Equity	SANOFI	Health Care
SDZ SW Equity	SANDOZ GROUP AG	Health Care
SHL GR Equity	SIEMENS HEALTHINEERS AG	Health Care
SN/ LN Equity	SMITH & NEPHEW PLC	Health Care
SOON SW Equity	SONOVA HOLDING AG-REG	Health Care
SRT3 GR Equity	SARTORIUS AG-VORZUG	Health Care
STAN LN Equity	STANDARD CHARTERED PLC	Financials
STB NO Equity	STOREBRAND ASA	Financials
UBSG SW Equity	UBS GROUP AG-REG	Financials

Source: J.P. Morgan

7) **Ukraine Reconstruction and Eastern European Build-out**

Rebuilding Ukraine and the wider eastern European region is potentially huge, and it lands on exactly the areas we already like: materials, steel, grids, and equipment. The timing depends on how the conflict resolves, so we keep it as a longer dated idea.

Figure 33: Ukraine recovery and reconstruction needs, in $Bn



Source: World Bank, Others include Water and sanitation, health, education, telecommunications, governance, environment, culture and tourism, irrigation

RDNA5 assessment (World Bank / EU / UN) estimates the total reconstruction and recovery needs for Ukraine at roughly USD 500–525bn over a decade, a figure that has risen as the conflict has extended. Illustrative sector allocations point to housing at around USD 80bn, transport and infrastructure at around USD 75–80bn, and energy and grid at around USD 65–70bn, with the balance spread across agriculture, social, industry, health, and water/municipal buckets.

Table 13: Ukraine Reconstruction phases

Phase	Activity	Investable focus
Stabilisation	Power, logistics, basic housing repair	Equipment, grid components
Infrastructure rebuild	Rail, telecom, large-scale build	Contractors with funded projects
Modernisation	Upgrade to EU standards	Optionality basket

Source: Bloomberg Finance L.P.

Ukraine reconstruction is one of the largest potential infrastructure opportunities in Europe, but we note it is a phased opportunity. The early phase is stabilisation: power, logistics, telecom, emergency housing, and transport repair. The second phase is reconstruction: grid rebuild, rail, roads, schools, hospitals, ports, and municipal infrastructure. The third phase is modernisation: EU-standard infrastructure, industrial zones, energy systems, and digital public services.

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Table 14: European Beneficiaries of Ukraine Rebuild

Ticker	Company Name	Sector
ENR GY Equity	SIEMENS ENERGY AG	Industrials
VOLVB SS Equity	VOLVO AB-B SHS	Industrials
CRH UN Equity	CRH PLC	Materials
MT NA Equity	ARCELORMITTAL	Materials
BAS GY Equity	BASF SE	Materials
HOLN SE Equity	HOLCIM LTD	Materials
SGO FP Equity	COMPAGNIE DE SAINT GOBAIN	Industrials
SAND SS Equity	SANDVIK AB	Industrials
DTG GR Equity	DAIMLER TRUCK HOLDING AG	Industrials
HEI GY Equity	HEIDELBERG MATERIALS AG	Materials
HEXAB SS Equity	HEXAGON AB-B SHS	Information Technology
8TRA GY Equity	TRATON SE	Industrials
METSO FH Equity	METSO CORP	Industrials
TKA GY Equity	THYSSENKRUPP AG	Materials
VOE AV Equity	VOESTALPINE AG	Materials
NDA GY Equity	AURUBIS AG	Materials
BZU IM Equity	BUZZI SPA	Materials
ROCKB DC Equity	ROCKWOOL A/S-B SHS	Industrials
WCH GY Equity	WACKER CHEMIE AG	Materials
AKE FP Equity	ARKEMA	Materials
OCTVSDB SS Equity	OCTAVE INTELLIGENCE PLC-SDR	Information Technology
SZG GY Equity	SALZGITTER AG	Materials
WIE AV Equity	WIENERBERGER AG	Materials
LXS GY Equity	LANXESS AG	Materials

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

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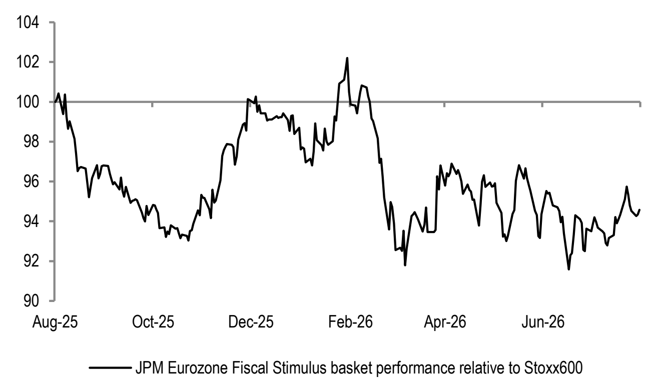
Appendix

Table 15: Eurozone Fiscal stimulus basket - JPEZFIST

Name	Ticker	Sector	JPM Rating	Price (LC)	Analyst Name
SIEMENS AG-REG	SIE GY	Industrials	OW	284.1	Philip Buller
VINCI SA	DG FP	Industrials	N	122.0	Elodie Rall
DEUTSCHE BANK AG-REGISTERED	DBK GY	Financials	OW	33.1	Kian Abouhossein
DHL GROUP	DHL GY	Industrials	OW	55.5	Alexia Dogani
VOLVO AB-B SHS	VOLVB SS	Industrials	OW	340.1	Jose Asumendi
ERSTE GROUP BANK AG	EBS AV	Financials	OW	122.6	Amit Ranjan
ARCELORMITTAL	MT NA	Materials	N	63.7	Dominic O'Kane
DSV A/S	DSV DC	Industrials	OW	1426.0	Alexia Dogani
BASF SE	BAS GY	Materials	UW	50.2	Chetan Udeshi
HOLCIM LTD	HOLN SE	Materials	OW	71.5	Elodie Rall
COMMERZBANK AG	CBK GY	Financials	N	39.9	Kian Abouhossein
COMPAGNIE DE SAINT GOBAIN	SGO FP	Industrials	OW	84.1	Elodie Rall
DAIMLER TRUCK HOLDING AG	DTG GY	Industrials	OW	45.1	Jose Asumendi
SIKA AG-REG	SIKA SE	Materials	OW	191.2	Elodie Rall
HEIDELBERG MATERIALS AG	HEI GY	Materials	OW	161.3	Elodie Rall
GEBERIT AG-REG	GEBN SE	Industrials	N	542.8	Elodie Rall
KINGSPAN GROUP PLC	KSP ID	Industrials	N	102.9	Elodie Rall
BOUYGUES SA	EN FP	Industrials	OW	47.6	Akhil Dattani
KNORR-BREMSE AG	KBX GY	Industrials	N	100.2	Akash Gupta
EIFFAGE	FGR FP	Industrials	OW	121.3	Elodie Rall
AKZO NOBEL N.V.	AKZA NA	Materials	NR	62.3	Chetan Udeshi
THYSSENKRUPP AG	TKA GY	Materials	N	13.5	Dominic O'Kane
EVONIK INDUSTRIES AG	EVK GY	Materials	UW	17.8	Chetan Udeshi
VOESTALPINE AG	VOE AV	Materials	OW	46.8	Dominic O'Kane
SPIE SA	SPIE FP	Industrials	OW	47.9	Jane Sparrow
AURUBIS AG	NDA GY	Materials	NC	167.8	-
ALSTOM	ALO FP	Industrials	OW	16.0	Akash Gupta
BUZZI SPA	BZU IM	Materials	OW	40.8	Elodie Rall
NEMETSCHEK SE	NEM GY	IT	OW	57.0	Joseph George
TKMS AG& CO KGAA	TKMS GY	Industrials	NC	103.8	-
ROCKWOOL A/S-B SHS	ROCKB DC	Industrials	OW	226.0	Zaim Beekawa
KION GROUP AG	KGX GY	Industrials	OW	41.5	Akash Gupta
WACKER CHEMIE AG	WCH GY	Materials	UW	93.8	Chetan Udeshi
IONOS GROUP SE	IOS GY	IT	OW	33.2	Toby Ogg
BECHTLE AG	BC8 GY	IT	NC	34.5	-
SALZGITTER AG	SZG GY	Materials	OW	51.8	Dominic O'Kane
STADLER RAIL AG	SRAIL SE	Industrials	UW	24.3	Akash Gupta
LANXESS AG	LXS GY	Materials	N	15.0	Chetan Udeshi

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket. This basket has been created to leverage the theme of this research report. It includes companies that are not covered by J.P. Morgan Research (marked "NC") and should not be viewed as a recommendation with respect to these companies. Prices as of COB 13th Aug 2026

Figure 34: JPM Eurozone Fiscal Stimulus basket performance relative to Stoxx600



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

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Equity Strategy Key Calls and Drivers

We have consistently argued since the second half of March to use the equity weakness brought on by the Iran conflict to buy into. To be clear, the headline risk remains, with potential need to escalate in order to de-escalate, but we do not see a sustained softness, and continue to believe that both sides have an interest in coming to terms. We have in March also highlighted that Mag-7 has started to trade at its cheapest in 10 years, and that the AI-at-risk group of stocks has already crashed, becoming record cheap. While we do not necessarily expect a repeat of 2025, when the equity rally was almost exclusive to Mag-7 for most of the 2H, we believe there is more upside for Mag-7 over the next months, as earnings are more than compensating for the stocks' rebound. We also find the EM memory trade has legs, as meaningful supply additions are not coming before the start of 2028. Stay OW EM equities. With MXWO and MXEF at fresh highs, having more than V-shaped, is the downside risk greater than the upside one from here? We think further upside is likely as investor positioning is lighter currently than pre-conflict, P/Es are lower, we remain very bullish on the broad earnings outlook, with lead indicators pointing to continued acceleration. Further, equities are not all that complacent beneath the surface – current market breadth is very narrow – we think this is a good sign this time around, as the rally to date was more driven by AI, an orthogonal trade to geopolitics, and nearly all consumer plays are still at lows. This can change, with broadening in participation in 2H. We do not expect bond yields to rise in 2H, we see big differences from the 2022 template, and do not see stagflation as the most likely outcome for 2H. Wage growth is moving lower this time around, and corporates are unlikely to exhibit sustained pricing power, with AI anxiety an overhang on sentiment in labour markets, as well. While some hikes can happen, we think the magnitude that the market is already pricing in is likely to reduce.

Table 16: J.P. Morgan Equity Strategy — Factors driving our medium-term views

Driver	Impact	Our Core Working Assumptions	Recent Developments
Global Growth	Neutral	Hard labour market data has been a bright spot, but that can change quickly	Global composite PMI is at 52.0
European Growth	Positive	Fiscal policy changes and energy inflation to drive GDP revisions	Eurozone Manufacturing PMI is at 51.4
Monetary Policy	Neutral	Fed on pause	
Currency	Neutral	Longer term bearish dollar view intact	
Earnings	Positive	Eurozone earnings set to improve in 2026	2026 EPS projections are improving
Valuations	Negative	At 21x, U.S. forward P/E is still stretched, especially vs real yield	MSCI Europe on 14.7x Fwd P/E
Technicals	Neutral	Sentiment indicators appear close to oversold now, though positioning is still stretched	Households' equity weight as a share of total assets is at record high

Source: J.P. Morgan estimates

Table 17: 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 18: Index targets

	Dec '26 Target	Current	% upside
MSCI EUROZONE	420	398	5%
FTSE 100	11,000	10,773	2%
MSCI EUROPE	2,750	2,626	5%
EURO STOXX 50	6,800	6,545	4%
STOXX 600 E	680	659	3%

Source: J.P. Morgan

Table 19: 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 20: 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 cyclicals 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.

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Table 21: J.P. Morgan Equity Strategy — Key regional calls

Region	Recommendations	J.P. Morgan Views
EM	Overweight	EM are underowned, valuations are cheap, seeing accelerating inflows, reduced China trade headwinds, China policy support
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 and expected earnings rebound (if conflict doesn't extend in 2H)
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.

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Top Picks

Table 22: J.P. Morgan European Strategy: Top European picks

Name	Ticker	Sector	Price	Currency	Market Cap (€ Bn)	EPS Growth 25	EPS Growth 26e	EPS Growth 27e	Dividend Yield 26e	12m Fwd P/E Current	12m Fwd P/E 10Y Median	12m Fwd P/E % Premium	Performance -3m	Performance -12m
AEGON LTD	AGN NA	Financials	8	E	12.9	-18%	56%	1%	4.3%	8.8	6.8	30%	13%	27%
AIB GROUP PLC	AIBG ID	Financials	11	E	22.3	0%	-5%	10%	3.4%	11.4	10.9	5%	11%	49%
ALSTOM	ALO FP	Industrials	16	E	7.4	958%	9%	45%	1.5%	9.0	16.4	-45%	-7%	-26%
ANHEUSER-BUSCH INBEV SA/NV	ABI BB	Staples	70	U$	138.9	6%	19%	10%	1.2%	17.1	17.9	-5%	2%	32%
ARGENX SE	ARGX BB	Health Care	754	U$	46.5	3977%	42%	34%	0.0%	26.4	-23.2	-	10%	37%
ASML HOLDING NV	ASML NA	IT	1609	E	621.5	28%	56%	38%	0.4%	34.3	29.3	17%	21%	151%
ASTRAZENECA PLC	AZN LN	Health Care	11708	U$	209.5	12%	11%	12%	2.0%	14.5	18.1	-20%	-15%	2%
BABCOCK INTL GROUP PLC	BAB LN	Industrials	1182	£	6.9	64%	-21%	67%	0.4%	17.6	9.0	97%	16%	22%
BARCLAYS PLC	BARC LN	Financials	519	£	81.5	27%	8%	22%	1.6%	8.7	7.3	19%	23%	39%
BAYERISCHE MOTOREN WERKE AG	BMW GR	Discretionary	59	E	36.6	-	-43%	35%	7.3%	7.2	7.1	1%	-27%	-34%
BT GROUP PLC	BT/A LN	Telecoms	197	£	23.1	1%	-2%	4%	4.1%	10.3	8.3	24%	-17%	-8%
CIE FINANCIERE RICHEMO-A REG	CFR SW	Discretionary	196	E	122.5	-1%	-3%	21%	1.3%	26.8	22.2	20%	25%	48%
CONTINENTAL AG	CON GR	Discretionary	68	E	14.0	1%	-20%	11%	3.7%	10.4	9.8	5%	-1%	20%
DANONE	BN FP	Staples	68	E	46.3	5%	4%	8%	3.2%	16.5	16.9	-3%	11%	-5%
DSV A/S	DSV DC	Industrials	1426	DK	46.5	-1%	27%	32%	0.5%	18.6	22.9	-19%	-10%	-4%
FERROVIAL NV	FER SM	Industrials	56	E	40.8	-72%	-20%	17%	1.4%	52.4	49.4	6%	-3%	25%
FRAPORT AG FRANKFURT AIRPORT	FRA GR	Industrials	67	E	6.2	-4%	-29%	8%	0.0%	19.3	15.2	27%	0%	-12%
FRESNILLO PLC	FRES LN	Materials	2873	U$	24.1	465%	45%	1%	0.7%	13.0	19.8	-35%	-24%	69%
INDUSTRIA DE DISENO TEXTIL	ITX SM	Discretionary	58	E	181.1	9%	6%	9%	2.7%	25.4	22.8	11%	18%	36%
JERONIMO MARTINS	JMT PL	Staples	17	E	10.8	8%	10%	14%	3.4%	14.0	19.9	-30%	-6%	-18%
LEONARDO SPA	LDO IM	Industrials	59	E	34.9	15%	51%	22%	0.9%	22.1	9.8	125%	19%	27%
MARKS & SPENCER GROUP PLC	MKS LN	Staples	391	£	9.4	31%	-25%	42%	0.8%	11.6	11.2	4%	26%	13%
NEMETSCHEK SE	NEM GR	IT	58	E	7.2	41%	12%	23%	1.0%	21.0	48.7	-57%	-2%	-53%
NOKIA OYJ	NOKIA FH	IT	9	E	53.0	-26%	16%	21%	1.5%	24.7	14.6	68%	-22%	160%
NOVONESIS (NOVOZYMES) B	NSISB DC	Materials	417	E	26.4	16%	35%	11%	1.0%	26.1	28.7	-9%	10%	0%
ORANGE	ORA FP	Telecoms	16	E	43.3	5%	45%	-8%	4.4%	13.7	10.7	28%	-12%	14%
PRUDENTIAL PLC	PRU LN	Financials	1018	U$	29.6	13%	17%	19%	1.7%	10.5	10.8	-3%	-12%	3%
RWE AG	RWE GR	Utilities	59	E	45.4	-21%	13%	16%	1.7%	19.3	14.6	33%	4%	67%
SAIPEM SPA	SPM IM	Energy	5	E	9.2	0%	9%	82%	3.6%	19.0	16.3	16%	-1%	99%
SHELL PLC	SHEL LN	Energy	3288	U$	214.8	-17%	69%	-15%	3.1%	9.2	9.9	-7%	5%	23%
SIEMENS AG-REG	SIE GR	Industrials	285	E	221.8	17%	-11%	16%	1.8%	23.2	15.1	53%	7%	24%
SIEMENS ENERGY AG	ENR GR	Industrials	161	E	137.3	-	172%	40%	0.0%	27.1	30.4	-11%	-10%	62%
SSE PLC	SSE LN	Utilities	2431	£	34.1	13%	-5%	19%	2.5%	12.7	12.2	4%	-1%	38%
STANDARD CHARTERED PLC	STAN LN	Financials	2223	U$	56.6	36%	5%	18%	1.2%	11.7	9.1	28%	18%	58%
TECHNIP ENERGIES NV	TE FP	Energy	31	E	5.6	-6%	-1%	47%	2.8%	11.8	10.4	13%	-17%	-24%
UBS GROUP AG-REG	UBSG SW	Financials	43	U$	151.6	55%	56%	21%	1.7%	13.0	10.6	23%	20%	37%
UNILEVER PLC	ULVR LN	Staples	4629	E	116.5	-8%	5%	7%	3.7%	16.1	18.3	-12%	9%	-5%
UNIVERSAL MUSIC GROUP NV	UMG NA	Telecoms	15	E	27.8	7%	-6%	11%	3.5%	14.3	24.6	-42%	-25%	-40%

Source: Datastream, MSCI, IBES, J.P. Morgan, Prices and Valuations as of COB 13th Aug, 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

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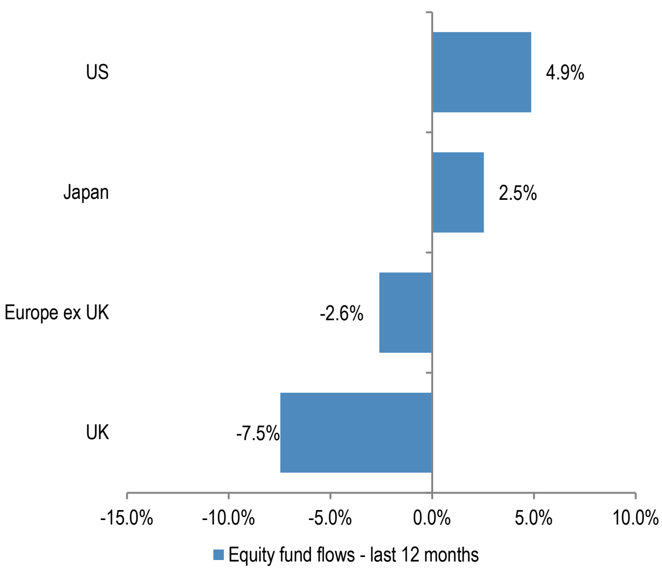
Equity Flows Snapshot

Table 23: DM Equity Fund Flows Summary

Regional equity fund flows										
	$mn					% AUM				
	1w	1m	3m	YTD	12m	1w	1m	3m	YTD	12m
Europe ex UK	476	-1,438	-9,632	-13,399	-10,815	0.1%	-0.3%	-2.0%	-2.9%	-2.6%
UK	-526	-3,445	-5,378	-10,571	-22,404	-0.2%	-1.0%	-1.6%	-3.4%	-7.5%
US	15,613	48,397	260,570	404,690	653,115	0.1%	0.3%	1.6%	2.8%	4.9%
Japan	245	5,517	3,467	23,292	23,321	0.0%	0.4%	0.3%	2.3%	2.5%

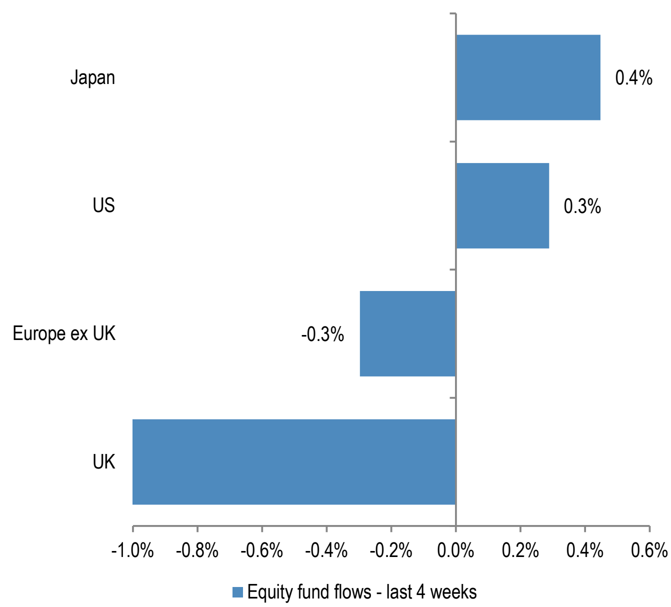
Source: EPFR, as of 12th Aug, 2026

Figure 35: DM Equity Fund flows – last 12 months



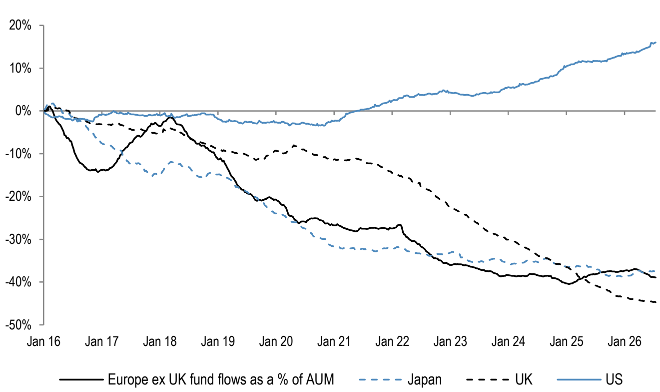
Source: EPFR, Japan includes BoJ purchases.

Figure 36: DM Equity Fund flows – last 4 weeks



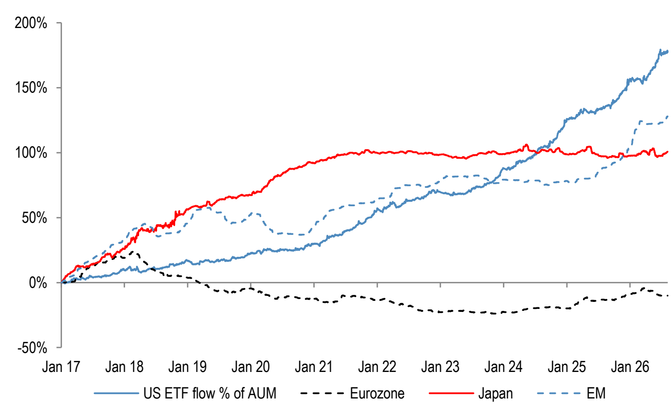
Source: EPFR, Japan includes BoJ purchases.

Figure 37: Cumulative fund flows into regional funds as a percentage of AUM



Source: EPFR, as of 12th Aug, 2026. Japan includes Non-ETF purchases only.

Figure 38: Cumulative fund flows into regional equity ETFs as a percentage of AUM



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

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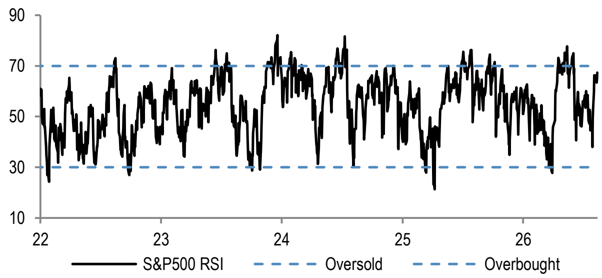
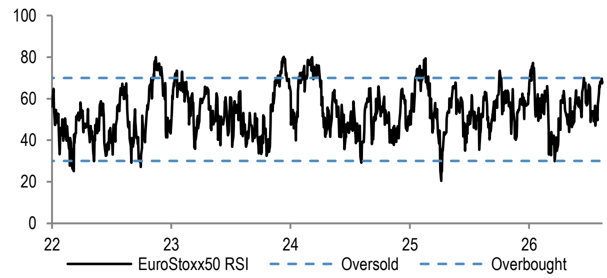
Technical Indicators

Figure 39: S&P500 RSI



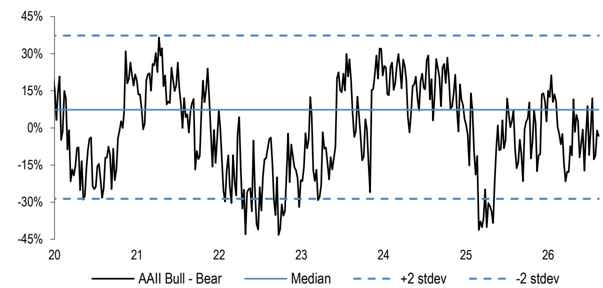
Source: Bloomberg Finance L.P.

Figure 40: EuroStoxx50 RSI



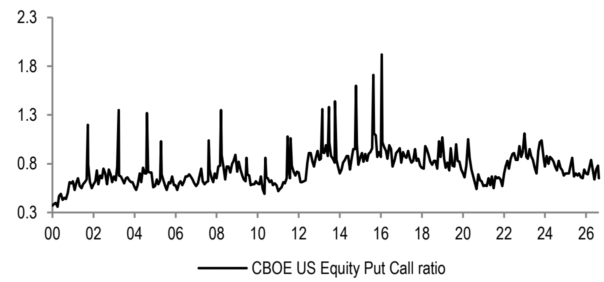
Source: Bloomberg Finance L.P.

Figure 41: AAII Bull-Bear



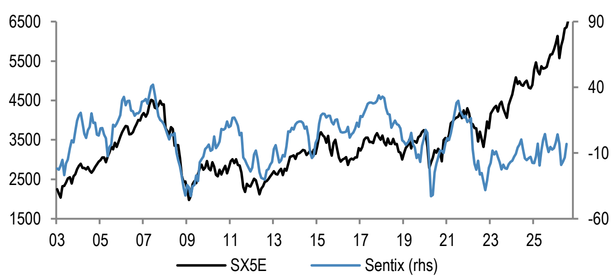
Source: Bloomberg Finance L.P

Figure 42: Put-call ratio



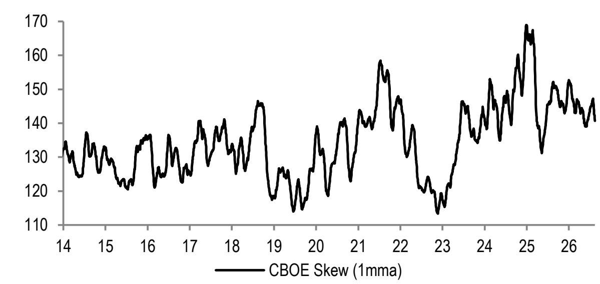
Source: Bloomberg Finance L.P.

Figure 43: Sentix Sentiment Index vs SX5E



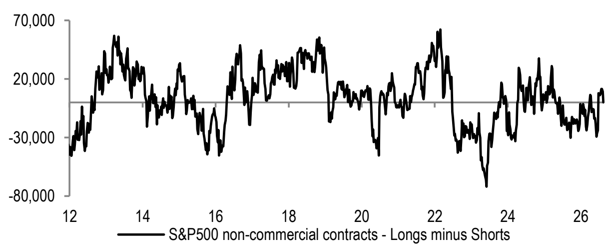
Source: Bloomberg Finance L.P.

Figure 44: Equity Skew



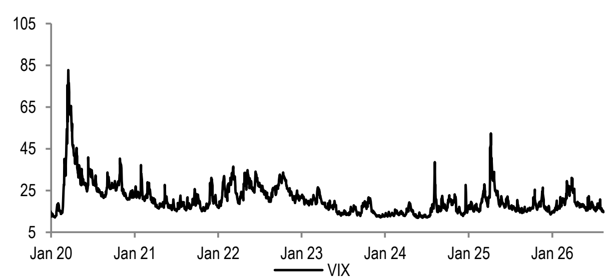
Source: Bloomberg Finance L.P.

Figure 45: Speculative positions in S&P500 futures contracts



Source: Bloomberg Finance L.P.

Figure 46: VIX



Source: Bloomberg Finance L.P.

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Performance

Table 24: Sector Index Performances — MSCI Europe

(%change)		Local currency		
Industry Group		**4week**	**12m**	**YTD**
Europe		**3.4**	**21.0**	**10.7**
Energy		**6.3**	**34.2**	**28.3**
Materials		**8.4**	**28.5**	**16.0**
	Chemicals	4.5	9.3	16.9
	Construction Materials	(1.1)	(3.6)	(15.1)
	Metals & Mining	15.4	81.9	27.8
Industrials		**6.0**	**19.5**	**13.6**
	Capital Goods	6.9	24.9	16.6
	Transport	(4.5)	14.5	3.6
	Business Svs	6.6	(21.1)	(8.3)
Consumer Discretionary		**3.9**	**2.7**	**(8.6)**
	Automobile	4.3	(10.9)	(15.6)
	Consumer Durables	2.5	9.3	(11.4)
	Media	(0.7)	(22.7)	(14.6)
	Retailing	6.0	11.1	(4.7)
	Hotels,Restaurants&Leisure	4.9	(3.4)	5.2
Consumer Staples		**0.5**	**5.7**	**3.1**
	Food & Drug Retailing	1.0	9.3	6.0
	Food Beverage & Tobacco	(0.7)	7.4	4.4
	Household Products	3.0	0.6	(0.7)
Healthcare		**(2.0)**	**14.4**	**(0.0)**
Financials		**6.6**	**30.8**	**15.0**
	Banks	8.1	49.2	21.7
	Diversified Financials	6.3	10.8	7.6
	Insurance	3.0	10.9	5.7
Real Estate		**8.8**	**21.7**	**16.7**
Information Technology		**(1.3)**	**52.1**	**32.1**
	Software and Services	18.3	(21.9)	(9.1)
	Technology Hardware	(4.5)	43.6	18.3
	Semicon & Semicon Equip	(6.5)	129.2	60.8
Telecommunications Services		**1.8**	**(9.9)**	**(2.4)**
Utilities		**(2.3)**	**24.3**	**12.3**

Source: MSCI, Datastream, As at COB 13th Aug, 2026

Table 25: Country and Region Index Performances

(%change)		Local Currency			US$		
Country	**Index**	**4week**	**12m**	**YTD**	**4week**	**12m**	**YTD**
Austria	ATX	5.1	48.2	25.9	6.5	48.0	23.8
Belgium	BEL 20	2.6	23.8	13.7	3.9	23.7	11.9
Denmark	KFX	(4.6)	6.2	(2.6)	(3.3)	5.9	(4.2)
Finland	HEX 20	0.5	23.4	6.8	1.8	23.3	5.1
France	CAC 40	5.0	13.8	6.4	6.4	13.6	4.6
Germany	DAX	4.9	9.6	6.7	6.3	9.4	4.9
Greece	ASE General	5.5	29.0	23.7	6.8	28.8	21.7
Ireland	ISEQ	1.7	24.3	7.0	3.0	24.2	5.3
Italy	FTSE MIB	3.1	31.2	18.9	4.5	31.0	17.0
Japan	Topix	1.0	37.8	18.7	4.3	29.0	18.1
Netherlands	AEX	3.3	25.3	16.8	4.6	25.1	14.9
Norway	OBX	3.0	20.7	18.1	6.0	30.3	25.2
Portugal	BVL GEN	1.2	18.1	11.4	2.5	17.9	9.6
Spain	IBEX 35	5.0	39.2	15.9	6.3	39.1	14.0
Sweden	OMX	5.8	29.8	15.4	8.5	32.5	12.3
Switzerland	SMI	2.7	22.7	9.7	3.0	22.8	7.7
United States	S&P 500	3.2	22.6	12.8	3.2	22.6	12.8
United States	NASDAQ	1.9	26.0	13.4	1.9	26.0	13.4
United Kingdom	FTSE 100	3.8	19.1	9.6	4.6	20.8	9.9
EMU	MSCI EMU	3.5	22.5	12.0	4.8	22.4	10.2
Europe	**MSCI Europe**	**3.4**	**21.0**	**10.7**	**4.5**	**21.5**	**9.3**
Global	MSCI AC World	3.1	22.8	12.7	3.5	22.6	12.5

Source: MSCI, Datastream, As at COB 13th Aug, 2026

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Earnings

Table 26: IBES Consensus EPS Sector Forecasts — MSCI Europe

	EPS Growth (%yoy)			
	2025E	2026E	2027E	2028E
Europe	**(0.4)**	**18.2**	**10.5**	**10.7**
Energy	**(13.7)**	**69.8**	**(14.4)**	**(2.4)**
Materials	**(9.4)**	**31.7**	**10.9**	**6.4**
Chemicals	(6.7)	12.9	6.1	10.4
Construction Materials	(22.1)	9.5	12.9	11.3
Metals & Mining	(5.9)	58.1	12.4	2.5
Industrials	**8.9**	**12.6**	**14.9**	**14.0**
Capital Goods	11.2	13.9	16.3	14.5
Transport	(3.0)	4.6	7.5	13.4
Business Svs	5.9	10.8	10.8	10.3
Discretionary	**(63.0)**	**146.2**	**20.5**	**15.4**
Automobile	(130.5)	-	30.5	17.7
Consumer Durables	(7.2)	12.2	14.5	13.5
Media	20.6	8.7	15.2	13.7
Retailing	15.7	12.7	14.7	14.1
Hotels,Restaurants&Leisure	10.6	5.9	15.6	14.8
Staples	**(1.9)**	**3.2**	**7.8**	**7.5**
Food & Drug Retailing	1.0	9.4	8.7	7.8
Food Beverage & Tobacco	(1.6)	2.5	7.7	7.9
Household Products	(4.1)	2.3	7.7	6.2
Healthcare	**9.2**	**3.8**	**9.5**	**10.9**
Financials	**10.0**	**10.5**	**13.0**	**11.2**
Banks	12.9	9.1	14.1	11.5
Diversified Financials	(8.2)	24.2	16.5	15.7
Insurance	14.3	7.0	7.9	7.3
Real Estate	**11.8**	**(0.6)**	**5.3**	**2.3**
IT	**12.1**	**24.0**	**28.9**	**24.9**
Software and Services	24.6	11.1	15.3	16.6
Technology Hardware	4.4	(10.7)	11.8	13.0
Semicon & Semicon Equip	7.4	49.9	41.5	31.4
Telecoms	**9.1**	**9.1**	**14.3**	**11.0**
Utilities	**1.2**	**7.0**	**7.2**	**7.2**

Source: IBES, MSCI, Datastream. As at COB 13th Aug, 2026

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Table 27: IBES Consensus EPS Country Forecasts

		EPS growth (%change)			
Country	**Index**	**2025E**	**2026E**	**2027E**	**2028E**
Austria	ATX	9.7	23.5	10.6	8.4
Belgium	BEL 20	18.3	11.2	14.9	12.6
Denmark	Denmark KFX	(1.2)	(0.9)	4.6	10.6
Finland	MSCI Finland	4.5	17.7	11.7	10.8
France	CAC 40	(22.9)	44.4	10.2	10.0
Germany	DAX	5.2	7.1	16.0	14.3
Greece	MSCI Greece	(10.4)	12.7	14.2	10.0
Ireland	MSCI Ireland	2.9	(3.1)	12.9	13.4
Italy	MSCI Italy	(37.3)	85.2	10.7	10.5
Netherlands	AEX	(20.6)	38.1	11.4	13.8
Norway	MSCI Norway	(11.2)	52.6	(8.8)	1.7
Portugal	MSCI Portugal	23.6	21.7	1.2	5.4
Spain	IBEX 35	5.7	12.1	11.7	9.5
Sweden	OMX	(3.3)	6.1	8.3	9.1
Switzerland	SMI	6.7	8.5	10.1	10.1
United Kingdom	FTSE 100	6.8	18.1	7.6	8.3
EMU	MSCI EMU	(4.4)	21.2	12.9	12.3
Europe ex UK	MSCI Europe ex UK	(2.6)	17.9	11.8	11.7
Europe	MSCI Europe	(0.4)	18.2	10.5	10.7
United States	S&P 500	13.6	29.4	16.6	14.8
Japan	Topix	11.4	15.1	11.9	10.9
Emerging Market	MSCI EM	10.3	67.1	23.7	11.4
Global	MSCI AC World	10.2	31.0	16.3	12.9

Source: IBES, MSCI, Datastream. As at COB 13th Aug, 2026**Japan refers to the period from March in the year stated to March in the following year— EPS post-goodwill

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Valuations

Table 28: 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	**16.1**	**14.6**	**13.2**	**3.0%**	**3.2%**	**3.5%**	**9.2**	**8.5**	**7.9**	**2.4**	**2.3**	**2.1**
Energy	**8.2**	**9.8**	**10.0**	**4.4%**	**4.5%**	**4.7%**	**3.5**	**3.9**	**3.9**	**1.5**	**1.4**	**1.3**
Materials	**17.2**	**15.5**	**14.7**	**2.9%**	**3.1%**	**3.2%**	**8.1**	**7.4**	**6.9**	**2.1**	**2.0**	**1.8**
Chemicals	22.2	20.9	19.0	2.7%	2.7%	2.9%	11.5	11.0	10.0	2.4	2.3	2.2
Construction Materials	15.4	13.7	12.3	2.5%	2.7%	3.0%	8.9	7.9	7.2	1.6	1.6	1.4
Metals & Mining	14.2	12.6	12.4	3.1%	3.3%	3.5%	6.4	5.8	5.5	2.1	2.0	1.8
Industrials	**23.8**	**20.7**	**18.1**	**2.0%**	**2.2%**	**2.4%**	**11.9**	**10.8**	**9.8**	**4.3**	**3.9**	**3.5**
Capital Goods	25.3	21.8	19.0	1.8%	2.0%	2.3%	13.3	11.6	10.4	4.9	4.4	3.8
Transport	17.0	15.8	13.9	2.9%	2.9%	3.0%	7.6	7.8	7.3	2.0	1.9	1.8
Business Svs	17.3	15.6	14.2	2.9%	3.2%	3.4%	11.2	10.3	9.5	5.6	5.3	5.0
Discretionary	**16.7**	**13.9**	**12.0**	**2.5%**	**2.9%**	**3.2%**	**7.6**	**5.9**	**5.2**	**2.1**	**1.8**	**1.7**
Automobile	9.5	7.3	6.2	3.8%	4.8%	5.5%	1.6	1.4	1.2	0.6	0.6	0.5
Consumer Durables	24.1	21.0	18.5	2.2%	2.3%	2.6%	14.3	11.2	10.3	4.0	3.6	3.3
Media & Entertainment	20.9	18.1	15.9	1.6%	1.7%	1.8%	13.6	12.0	9.7	4.7	4.1	3.7
Retailing	15.9	13.9	12.2	2.3%	2.5%	2.8%	20.2	13.5	11.0	5.7	3.4	3.0
Hotels,Restaurants&Leisure	21.5	18.6	16.2	2.3%	2.6%	2.9%	11.3	10.3	9.2	5.8	5.3	4.7
Staples	**16.6**	**15.4**	**14.4**	**3.3%**	**3.5%**	**3.7%**	**10.6**	**9.8**	**9.2**	**3.0**	**2.8**	**2.7**
Food & Drug Retailing	13.0	12.0	11.1	3.8%	4.0%	4.4%	6.5	6.0	5.6	1.9	1.8	1.7
Food Beverage & Tobacco	16.5	15.4	14.3	3.5%	3.7%	3.9%	10.8	10.1	9.4	2.8	2.6	2.5
Household Products	18.8	17.4	16.4	2.7%	2.9%	3.1%	12.7	11.5	11.0	4.3	3.9	3.7
Healthcare	**16.3**	**14.9**	**13.4**	**2.5%**	**2.6%**	**2.8%**	**12.3**	**11.0**	**10.0**	**3.4**	**3.1**	**2.8**
Financials	**12.3**	**10.9**	**9.8**	**4.2%**	**4.6%**	**5.1%**	**-**	**-**	**-**	**1.7**	**1.6**	**1.5**
Banks	11.8	10.4	**9.3**	4.5%	5.0%	5.6%	-	-	-	1.6	1.5	1.4
Diversified Financials	13.7	11.8	10.2	2.6%	2.9%	3.1%	-	-	-	1.7	1.6	1.5
Insurance	12.8	11.9	11.1	4.8%	5.1%	5.5%	-	-	-	2.2	2.0	1.9
Real Estate	**14.2**	**14.4**	**13.9**	**4.7%**	**4.9%**	**5.1%**	**-**	**-**	**-**	**0.8**	**0.7**	**0.8**
IT	**33.9**	**26.2**	**21.2**	**0.9%**	**1.1%**	**1.2%**	**19.4**	**14.8**	**11.7**	**6.7**	**6.0**	**5.2**
Software and Services	25.6	22.2	19.0	1.4%	1.5%	1.7%	13.7	10.6	8.2	4.2	3.9	3.5
Technology Hardware	22.8	20.4	18.0	1.8%	1.9%	2.0%	11.5	10.6	9.4	3.0	2.8	2.6
Semicon & Semicon Equip	41.6	29.2	22.6	0.6%	0.7%	0.9%	26.7	19.0	15.0	12.3	10.1	8.1
Communication Services	**16.6**	**14.6**	**13.1**	**3.4%**	**3.7%**	**4.0%**	**6.4**	**6.1**	**5.6**	**2.1**	**2.1**	**2.0**
Utilities	**15.7**	**14.7**	**13.7**	**4.0%**	**4.2%**	**4.4%**	**9.7**	**9.5**	**9.1**	**2.0**	**1.9**	**1.9**

Source: IBES, MSCI, Datastream. As at COB 13th Aug, 2026.

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Table 29: IBES Consensus P/E and 12-Month Forward Dividend Yields — Country Forecasts

		P/E				Dividend Yield
Country	**Index**	**12mth Fwd**	**2026E**	**2027E**	**2028E**	**12mth Fwd**
Austria	ATX	11.7	12.3	11.1	10.3	3.9%
Denmark	Denmark KFX	15.4	15.8	15.1	13.7	2.8%
Finland	MSCI Finland	18.3	19.5	17.5	15.8	3.2%
France	CAC 40	14.6	15.5	14.0	12.8	3.4%
Germany	DAX	15.4	17.0	14.6	12.8	3.0%
Greece	MSCI Greece	19.1	20.7	18.1	16.5	2.8%
Ireland	MSCI Ireland	13.2	14.2	12.6	11.1	3.4%
Italy	MSCI Italy	13.1	13.9	12.6	11.4	4.6%
Netherlands	AEX	16.0	17.0	15.3	13.4	2.2%
Norway	MSCI Norway	11.5	10.9	12.0	11.8	5.6%
Portugal	MSCI Portugal	13.7	13.8	13.7	13.0	3.9%
Spain	IBEX 35	14.4	15.4	13.8	12.6	3.8%
Sweden	OMX	17.9	18.8	17.4	15.9	3.2%
Switzerland	SMI	18.0	19.0	17.3	15.7	3.0%
United Kingdom	FTSE 100	12.8	13.3	12.4	11.4	3.6%
EMU	MSCI EMU	15.2	16.4	14.5	12.9	3.1%
Europe ex UK	MSCI Europe ex UK	16.2	17.4	15.5	13.9	3.1%
Europe	**MSCI Europe**	**15.4**	16.3	14.8	13.3	**3.2%**
United States	S&P 500	20.3	22.7	19.5	17.0	1.1%
Japan	Topix	16.3	16.9	15.1	13.6	2.2%
Emerging Market	MSCI EM	9.9	11.2	9.7	8.1	2.4%
Global	MSCI AC World	16.6	18.4	16.4	14.0	1.7%

Source: IBES, MSCI, Datastream. As at COB 13th Aug, 2026; **Japan refers to the period from March in the year stated to March in the following year-P/E post goodwill.

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Economic, Interest Rate and Exchange Rate Outlook

Table 30: Economic Outlook in Summary

	Real GDP % oya			Real GDP						Consumer prices % oya			
	2025	2026E	2027E	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	4Q25	2Q26	4Q26	2Q27
United States	2.1	2.1	2.0	2.1	1.5	2.5	1.7	2.3	2.3	2.7	3.8	3.5	1.8
Eurozone	1.3	0.9	1.4	0.0	1.8	1.3	1.5	1.5	1.5	2.1	3.0	3.1	2.0
United Kingdom	1.3	1.2	1.2	2.5	1.7	0.8	1.0	1.6	1.2	3.4	2.8	3.0	2.7
Japan	1.1	0.9	1.1	1.8	1.9	1.0	1.3	1.0	1.2	2.7	1.5	2.9	2.3
Emerging markets	4.2	4.0	3.8	4.7	3.2	3.7	4.1	4.0	3.9	2.8	3.5	3.6	3.0
Global	2.8	2.6	2.6	2.7	2.3	2.6	2.6	2.7	2.7	2.7	3.4	3.4	2.4

Source: J.P. Morgan Economic Research estimates, as of 13th Aug, 2026

Table 31: Official Rates Outlook

					Forecast for			
	Official interest rate	Current	Last change (bp)	Forecast next change (bp)	Sep 26	Dec 26	Mar 27	Jun 27
United States	Federal funds rate	3.75	10 Dec 25 (-25bp)	Dec 26 (+25bp)	3.75	4.00	4.00	4.00
Eurozone	Depo rate	2.25	11 Jun 26 (+25bp)	Sep 26 (+25bp)	2.50	2.50	2.50	2.50
United Kingdom	Bank Rate	3.75	18 Dec 25 (-25bp)	Nov 26 (+25bp)	3.75	4.00	4.00	3.75
Japan	Pol rate IOER	1.00	16 Jun 26 (+25bp)	Oct 26 (+25bp)	1.00	1.25	1.50	1.50

Source: J.P. Morgan estimates, Datastream, as of 13th Aug, 2026

Table 32: 10-Year Government Bond Yield Forecasts

10 Yr Govt BY		Forecast for end of			
	14-Aug-26	Sep 26	Dec 26	Mar 27	Jun 27
US	4.66	4.80	4.85	4.85	4.85
Euro Area	3.15	2.95	2.90	2.85	2.80
United Kingdom	4.95	2.80	2.80	4.75	4.70
Japan	2.89	2.95	2.95	2.95	3.05

Source: J.P. Morgan estimates, Datastream, forecasts as of 13th Aug, 2026

Table 33: FX forecasts

Exchange rates vs US$		Forecast for end of			
	13-Aug-26	Sep 26	Dec 26	Mar 27	Jun 27
EUR	1.15	1.14	1.13	1.12	1.10
GBP	1.35	1.31	1.28	1.29	1.28
CHF	0.81	0.81	0.81	0.82	0.84
JPY	159	160	164	164	164
DXY	100.0	101.0	102.2	102.7	104.0

Source: J.P. Morgan estimates, Datastream, forecasts as of 13th Aug, 2026

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Sector, Regional and Asset Class Allocations

Table 34: J.P. Morgan Equity Strategy — European Sector Allocation

		MSCI Europe Weights	Allocation	Deviation	Recommendation
Energy		**5.0%**	4.0%	-1.0%	**UW**
Materials		**5.6%**	8.0%	2.4%	**OW**
	Chemicals				N
	Construction Materials				OW
	Metals & Mining				OW
Industrials		**19.2%**	21.0%	1.8%	**OW**
	Capital Goods				OW
	Transport				N
	Business Services				N
Consumer Discretionary		**5.2%**	8.0%	2.8%	**OW**
	Automobile				N
	Consumer Durables				OW
	Consumer Srvcs				N
	Speciality Retail				N
	Internet Retail				N
Consumer Staples		**8.5%**	7.0%	-1.5%	**UW**
	Food & Drug Retailing				UW
	Beverages				UW
	Food & Tobacco				UW
	Household Products				UW
Healthcare		**12.9%**	12.0%	-0.9%	**N**
Financials		**23.8%**	22.0%	-1.8%	**N**
	Banks				N
	Insurance				UW
Real Estate		**0.7%**	1.0%	0.3%	**N**
Information Technology		**9.4%**	7.0%	-2.4%	**N**
	Software and Services				UW
	Technology Hardware				N
	Semicon & Semicon Equip				OW
Communication Services		**4.8%**	4.0%	-0.8%	**N**
	Telecommunication Services				N
	Media				UW
Utilities		**5.0%**	6.0%	1.0%	**N**
		100.0%	**100.0%**	**0.0%**	**Balanced**

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

Table 35: J.P. Morgan Equity Strategy — Global Regional Allocation

	MSCI Weight	Allocation	Deviation	Recommendation
EM	11.8%	14.0%	2.2%	Overweight
DM	88.2%	86.0%	-2.2%	Underweight
US	72.7%	73.0%	0.3%	Neutral
Japan	5.7%	6.0%	0.3%	Neutral
Eurozone	8.8%	11.0%	2.2%	Overweight
UK	3.6%	3.0%	-0.6%	Neutral
Others*	9.1%	7.0%	-2.1%	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 36: J.P. Morgan Equity Strategy — European Regional Allocation

	MSCI Weight	Allocation	Deviation	Recommendation
Eurozone	54.1%	58.0%	3.9%	Overweight
United Kingdom	22.5%	21.0%	-1.5%	Neutral
Others**	23.4%	21.0%	-2.4%	Underweight
	100.0%			**Balanced**

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

Table 37: 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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