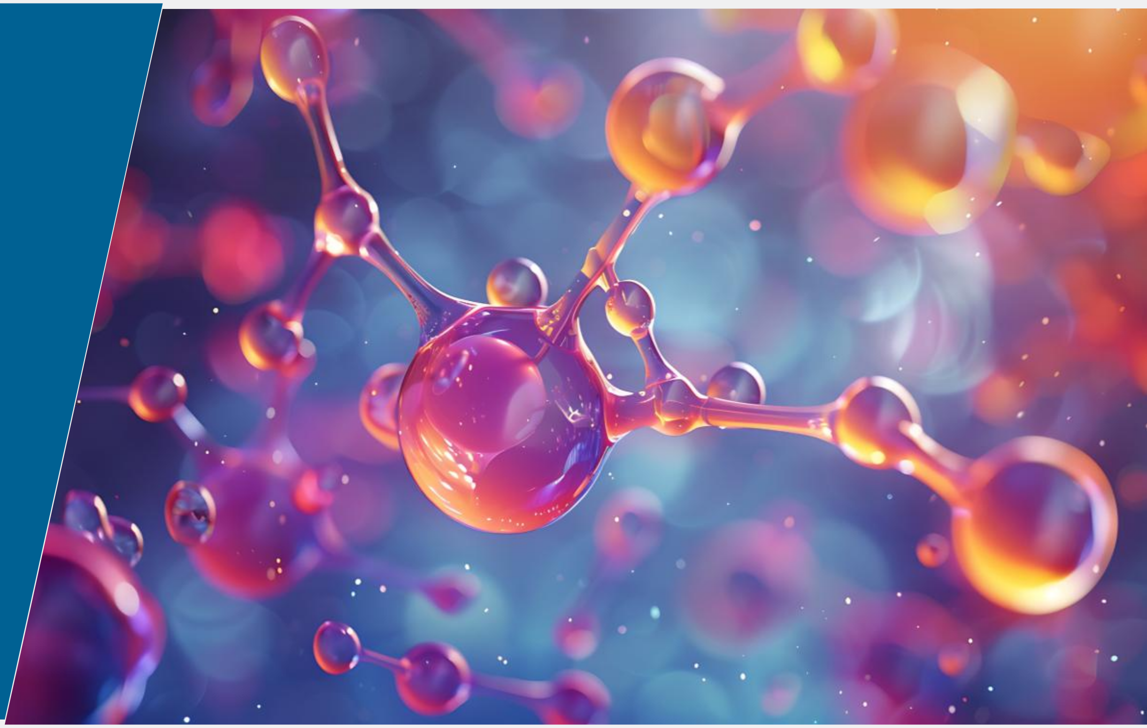
# Global Asset Allocation Insights

Fidelity Multi Asset



September 2026

# Summary

**3**

### Big picture

The global economy remains in expansion, but we are becoming more mindful that growth momentum is beginning to moderate. The Fidelity Leading Indicator( FLI) has softened, fiscal support is likely to become less supportive in the second half of the year, and higher oil prices are putting some pressure on consumer incomes. Nevertheless, growth remains at a reasonable level, inflation is normalising following the Iran shock, and stellar earnings continue to support an environment that remains broadly favourable for risk assets. We therefore remain risk-on, albeit with less conviction and an increasing emphasis on selectivity.

**7**

### Equities

We remain overweight equities, supported by resilient earnings and a still-constructive macro backdrop, although moderating growth momentum warrants greater selectivity. In the US, strong earnings have improved the valuation picture, while market leadership is broadening beyond the AI theme. We remain positive on Japan and have increased our overweight to emerging markets, where we continue to favour Korea, Taiwan, and China A-shares. We have upgraded Europe to neutral as improving macro data and earnings revisions provide greater evidence of recovery. Conversely, we have moved underweight the UK, where weak growth and earnings momentum leave us less constructive despite attractive valuations.

**8**

### Credit

We remain cautious on credit. While corporate fundamentals are strong, valuations are stretched. Investment grade remains our least preferred area, with spreads offering limited compensation for risk and elevated AI-related issuance adding to supply. High yield fundamentals remain broadly sound and all-in yields are reasonable, although spreads are also unattractive. We therefore continue to see credit primarily as an income opportunity rather than a source of capital appreciation.

**9**

### Government bonds

We maintain a neutral overall view on government bonds. Higher yields have made duration increasingly interesting from a valuation perspective, particularly if growth moderates, but government bonds remain risk additive while their correlation with equities stays positive. We continue to favour UK Gilts and remain broadly neutral elsewhere, with a slightly negative bias towards Japanese government bonds as monetary policy normalisation continues.

**10**

### Cash, currencies & gold

We have moved to a neutral view on both the US dollar and euro, as the scope for further euro weakness against the dollar has become more limited following the repricing of Fed expectations. We have become more bearish on the Japanese yen, where recent intervention has done little to alter the underlying outlook and a more meaningful shift would likely require changes in fiscal policy. We have also upgraded gold to a positive view as valuations have become more attractive and hawkish policy expectations appear overdone, while retaining a positive view on broad commodities.

Source: Fidelity International, August 2026. Views reflect a typical time horizon of 12–18 months and provide a broad starting point for asset allocation decisions. However, they do not reflect current positions for investment strategies, which will be implemented according to specific objectives and parameters.

# Big picture

## Still constructive, but growth momentum is moderating

### What has changed?

- **Less conviction in the equity overweight:** We remain overweight, but the Fidelity Leading Indicator is pointing to a deceleration in growth momentum, while fiscal support is set to become less supportive in H2.
- **Regional equity opportunities shifting:** Improving data and earnings revisions support our upgrade of Europe, while we have become more cautious on the UK.
- **Currency views becoming more balanced:** We have neutralised our positive US dollar and negative euro views, while becoming more bearish on the yen.

### What has stayed the same?

- **Reflationary regime remains supportive:** Growth is slowing but remains at a reasonable level, while inflation is normalising following the Iran shock and breakevens remain contained.
- **Earnings remain robust:** Corporate earnings continue to provide support, particularly in Japan and Asia, while AI-related capex remains a powerful driver of activity.
- **Equities still preferred to credit:** Equity valuations are more manageable where earnings have risen, while credit spreads remain very tight and offer limited compensation for risk.

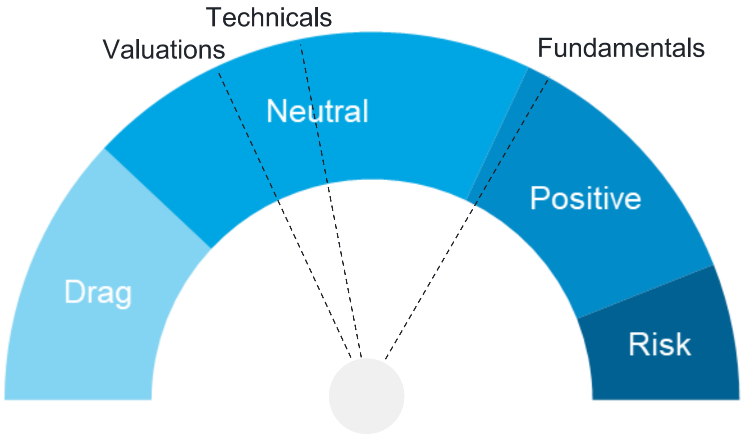
### What are we watching?

- **Further deterioration in leading indicators:** A continued decline in the FLI could signal a move towards a less supportive macro regime and would challenge our equity overweight.
- **US consumer resilience:** Fiscal support is fading and households no longer have the same tax-refund cushion to offset the impact of higher oil prices on disposable incomes.
- **Bond-equity correlations:** Higher yields are making duration more attractive, but persistently positive correlations with equities continue to limit government bonds' usefulness as a portfolio diversifier.

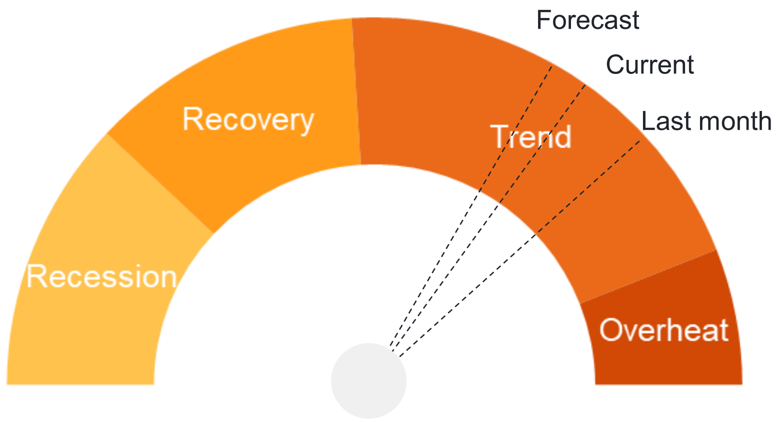
Source: Fidelity International, August 2026. Views reflect a typical time horizon of 12–18 months and provide a broad starting point for asset allocation decisions. However, they do not reflect current positions for investment strategies, which will be implemented according to specific objectives and parameters.

# Cycle gauges

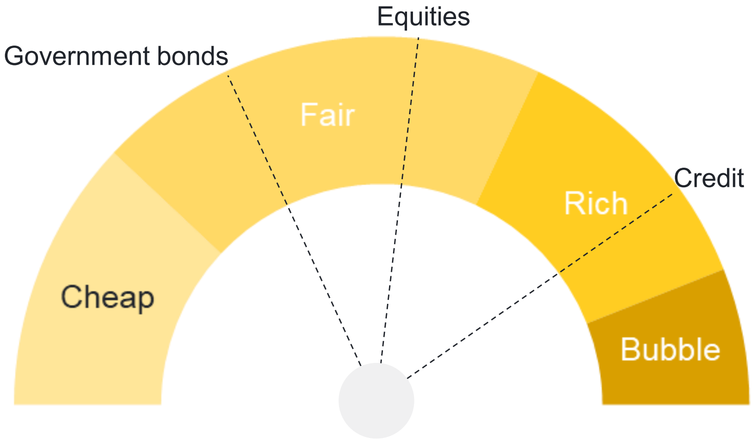
## Fundamentals, valuations, technicals



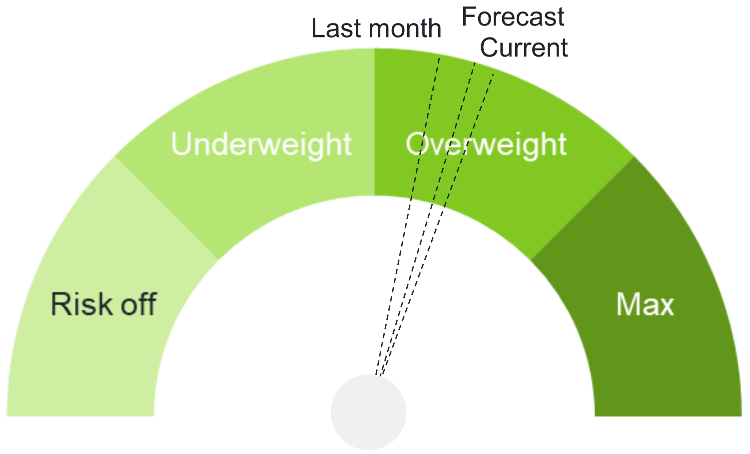

## US business cycle




## Valuations




## Risk appetite




Source: Fidelity International, August 2026.

# TAA views summary

| | | – – | – | = | + | ++ | Snapshot of views |
|---|---|---|---|---|---|---|---|
| **Equities** | **Equities** | | | | ● | | **Earnings remain robust and the macro backdrop is still supportive, but slowing growth momentum reduces our conviction at the margin.** |
| | US | | | ● | | | Strong earnings are making elevated valuations more manageable, while market leadership is broadening beyond AI and technology. |
| | Europe | | → | ● | | | Improving macro data and upward earnings revisions provide greater evidence that a recovery is taking hold and could broaden. |
| | UK | | ● | ← | | | Weak growth and earnings momentum outweigh attractive valuations and the market's more defensive characteristics. |
| | Japan | | | | ● | | Higher prices are being successfully passed through without materially weakening demand, while resilient earnings and the reflationary backdrop remain supportive. |
| | Emerging markets | | | | → | ● | Robust earnings and attractive opportunities across Korea, Taiwan, and China A-shares reinforce our positive view. |
| | Asia Pacific ex. Japan | | ● | ← | | | Australia remains the key concern, with stretched valuations and a weak earnings outlook despite some support from higher gold prices. |
| **Credit** | **Credit** | | ● | | | | **Strong fundamentals are offset by very tight spreads, leaving limited compensation for risk.** |
| | Investment grade | | ● | | | | Remain underweight as expensive valuations and elevated AI-related issuance outweigh resilient corporate fundamentals. |
| | High yield | | | ● | | | Fundamentals remain sound and all-in yields are reasonable, but tight spreads limit upside and favour a carry-focused approach. |
| | Emerging market debt (hard) | | | ● | | | Mixed fundamentals and tight valuations support a neutral stance. |
| **Government bonds** | **Government bonds** | | | ● | | | **Higher yields are improving valuations, but positive equity-bond correlations reduce diversification benefits.** |
| | US Treasuries | | | ● | | | More attractive yields are balanced by resilient growth, inflation uncertainty, and fiscal risks. |
| | Euro core (Bund) | | | ● | | | Valuations have improved, but the growth and policy outlook leaves us neutral. |
| | UK Gilts | | | | ● | | Remain overweight, with attractive valuations and scope for the Bank of England to prove less hawkish than currently priced. |
| | Japanese gov. bonds | | | ● | | | Neutral with a negative bias as persistent inflation and continued BoJ normalisation put upward pressure on yields. |
| | Emerging market gov. bonds (local) | | | ● | | | Attractive real yields remain supportive in selected markets, although opportunities are increasingly differentiated. |
| **Cash, currencies, & gold** | **Cash, currencies & gold** | | | ● | | | **Remain neutral cash as the underlying macro environment remains supportive of taking risk.** |
| | US dollar | | | ● | ← | | More intervention on the yield curve and in FX markets by the US Treasury put a renewed focus on dollar-debasement along with unwinding of the previous hawkish monetary policy pricing |
| | Euro | | → | ● | | | Improving European macro data along with fiscal stimulus provides some support |
| | Japanese yen | | ● | ← | | | We expect recent intervention-driven strength to fade, with a more durable recovery likely requiring a meaningful change in fiscal dynamics. |
| | Sterling | | ● | | | | Remain underweight as weak domestic growth and fiscal uncertainty continue to weigh on the outlook. |
| | Emerging markets FX | | | ● | | | Attractive carry supports selected currencies, but a firmer dollar and divergent fundamentals favour a selective approach. |
| | Gold | | | → | ● | | Dollar-debasement theme re-emerging supports Gold strength along with unwinding of some of the hawkish policy pricing |

Source: Fidelity International, August 2026. Views reflect a typical time horizon of 12–18 months and provide a broad starting point for asset allocation decisions. However, they do not reflect current positions for investment strategies, which will be implemented according to specific objectives and parameters. Regional equity views use universes defined by MSCI indices.



Fidelity INTERNATIONAL

# Best ideas for investment outcomes

## Growth

- **Emerging market equities** remain one of our highest-conviction opportunities, particularly Korea, Taiwan, and China A-shares.
- **Broader US equity exposure** can benefit as strong earnings and economic resilience spread beyond the largest AI-related companies. We see opportunities in areas including financials, quality income, and mid-caps.

## Income

- **High yield bonds** continue to offer attractive all-in yields and resilient fundamentals. Tight spreads limit the potential for capital appreciation, so we see this primarily as an income opportunity.
- **Quality income equities** provide resilient cashflows and relative defensiveness in a more uncertain macro environment.

## Capital preservation

- **Gold** continues to provide portfolio diversification in a world of elevated geopolitical uncertainty and less reliable asset correlations.
- **Infrastructure and real assets** linked to electrification, digital infrastructure, and energy security continue to offer long-term diversification benefits.

## Uncorrelated returns

- **Absolute return strategies**, driven by active investment decisions and idiosyncratic sources of risk, can provide differentiated returns in an environment where traditional equity-bond diversification remains less reliable.

Source: Fidelity International, August 2026. Views reflect a typical time horizon of 12–18 months and provide a broad starting point for asset allocation decisions. However, they do not reflect current positions for investment strategies, which will be implemented according to specific objectives and parameters.

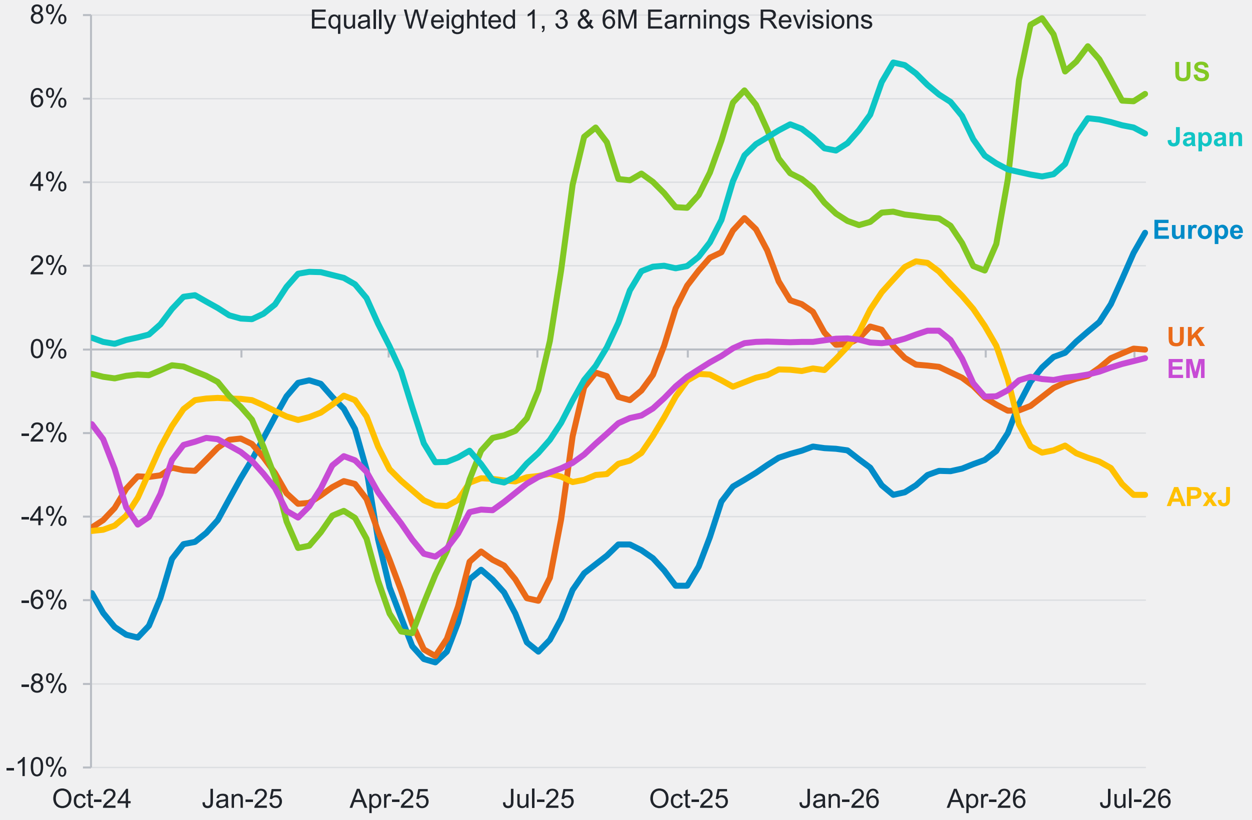
# Equities

| | – – | – | = | + | ++ |
|---|---|---|---|---|---|
| **Equities** | | | | ● | |
| US | | | ● | | |
| Europe | | → | ● | | |
| UK | | ● | ← | | |
| Japan | | | | ● | |
| Emerging markets | | | | → | ● |
| Asia Pacific ex. Japan | | ● | ← | | |

## Key views

- **Europe upgraded to neutral:** Improving macro data and positive earnings revisions provide greater evidence that the recovery is taking hold, with scope to broaden.
- **EM increased to strong overweight:** Robust earnings and attractive valuations support our conviction, with Korea, Taiwan, and China A-shares preferred.
- **Asia Pacific ex-Japan downgraded to underweight:** Weak Australian earnings and stretched valuations outweigh support from higher gold prices.
- **UK downgraded to underweight:** Weak growth and subdued earnings momentum leave us seeing better opportunities elsewhere, despite attractive valuations.

## US and Japan continue to lead earnings revisions, Europe gets boost




Source: Fidelity International, August 2026. Views reflect a typical time horizon of 12–18 months and provide a broad starting point for asset allocation decisions. However, they do not reflect current positions for investment strategies, which will be implemented according to specific objectives and parameters. Regional equity views use universes defined by MSCI indices. Chart source: Fidelity International, Bloomberg, August 2026.

# Credit

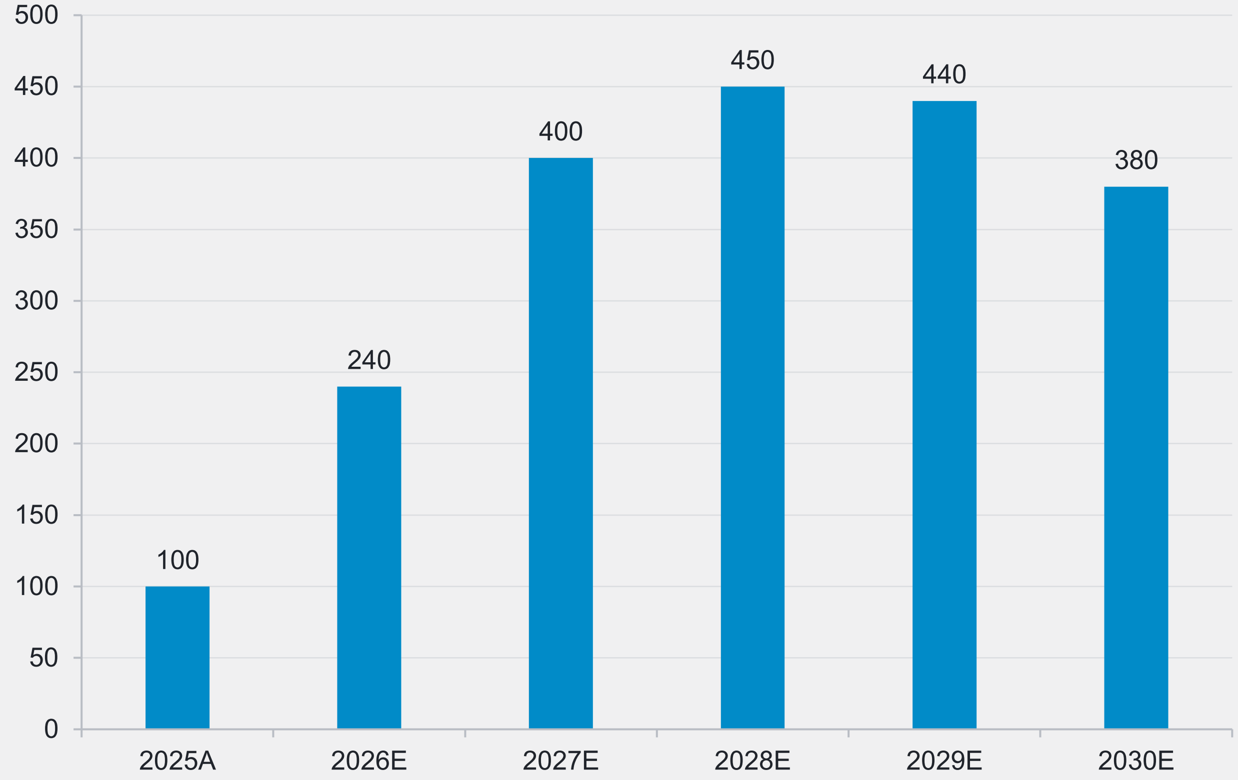
| | – – | – | = | + | ++ |
|---|---|---|---|---|---|
| **Credit** | | ● | | | |
| Investment grade | | ● | | | |
| High yield | | | ● | | |
| Emerging market debt (hard) | | | ● | | |

## Key views

- **Remain underweight investment grade:** Strong fundamentals are outweighed by very tight spreads, while elevated AI-related issuance is adding supply and has pushed spreads modestly wider.
- **High yield remains neutral:** Corporate fundamentals remain sound and all-in yields are reasonable, but tight spreads leave limited scope for further capital appreciation.
- **Watch pockets of stress:** Leveraged loans are showing some signs of pressure, reinforcing the case for selectivity even though we see no broader deterioration in the credit cycle.

## AI supply is here to stay

Hyperscaler global gross debt issuance expectation ($bn)




Source: Fidelity International, August 2026. Views reflect a typical time horizon of 12–18 months and provide a broad starting point for asset allocation decisions. However, they do not reflect current positions for investment strategies, which will be implemented according to specific objectives and parameters. Chart source: Fidelity International, Goldman Sachs, July 2026.

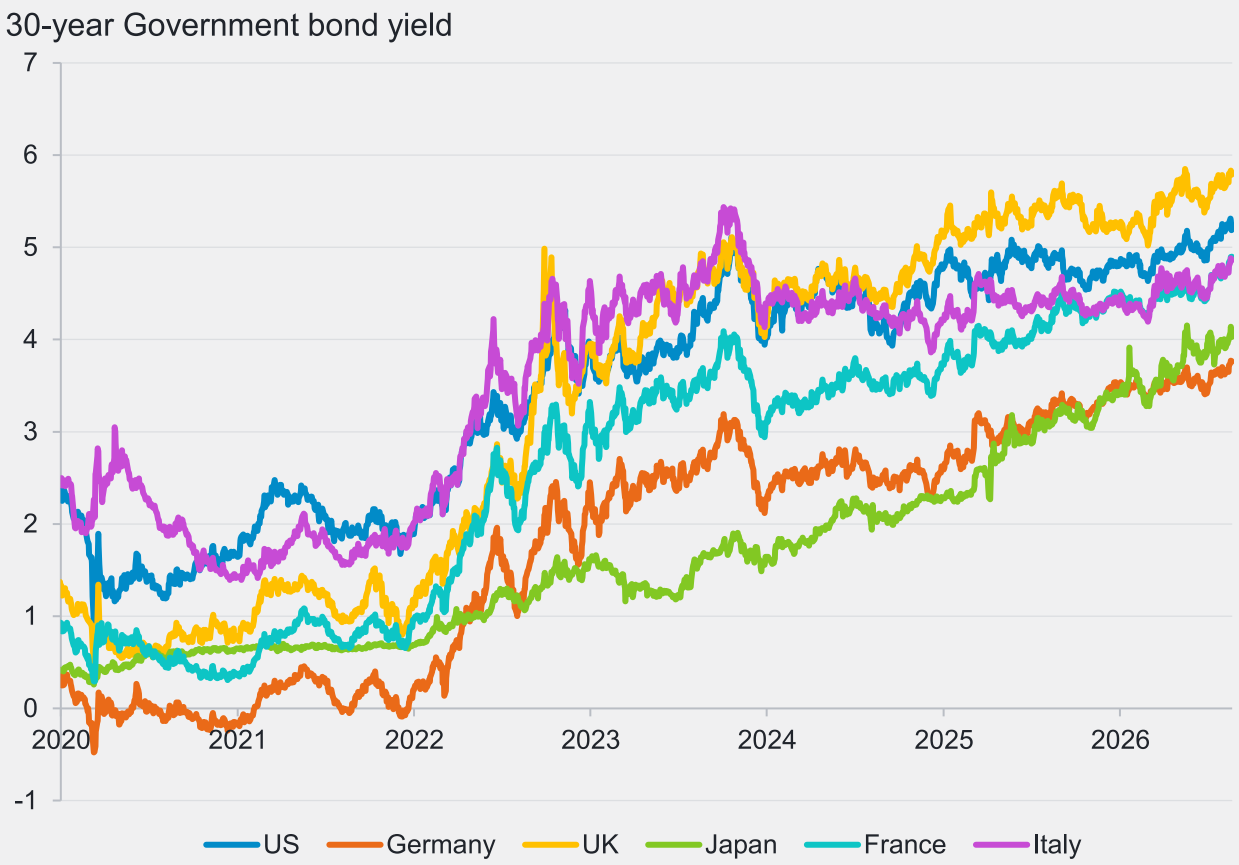
# Government bonds

| | –– | – | = | + | ++ |
|---|---|---|---|---|---|
| **Government bonds** | | | ● | | |
| US Treasuries | | | ● | | |
| Euro core (Bund) | | | ● | | |
| UK Gilts | | | | ● | |
| Japanese gov. bonds | | | ● | | |
| Emerging market government bonds (local) | | | ● | | |

## Key views

- **Remain neutral overall:** Rising yields makes government bonds more interesting. However, we are mindful that positive equity-bond correlations mean duration remains risk additive rather than a reliable portfolio diversifier. That could change is growth slows more meaningfully, but for now we remain neutral.
- **Gilts remain preferred:** We retain our overweight, with attractive valuations and scope for the Bank of England to prove less hawkish than currently priced.
- **Slight negative bias on JGBs:** Persistent inflation and continued BoJ normalisation should maintain upward pressure on yields, limiting the case for adding duration in Japan.

## Long-end yields keep rising




Source: Fidelity International, August 2026. Views reflect a typical time horizon of 12–18 months and provide a broad starting point for asset allocation decisions. However, they do not reflect current positions for investment strategies, which will be implemented according to specific objectives and parameters. Chart source: Fidelity International, LSEG DataStream, August 2026.

# Cash, currencies & gold

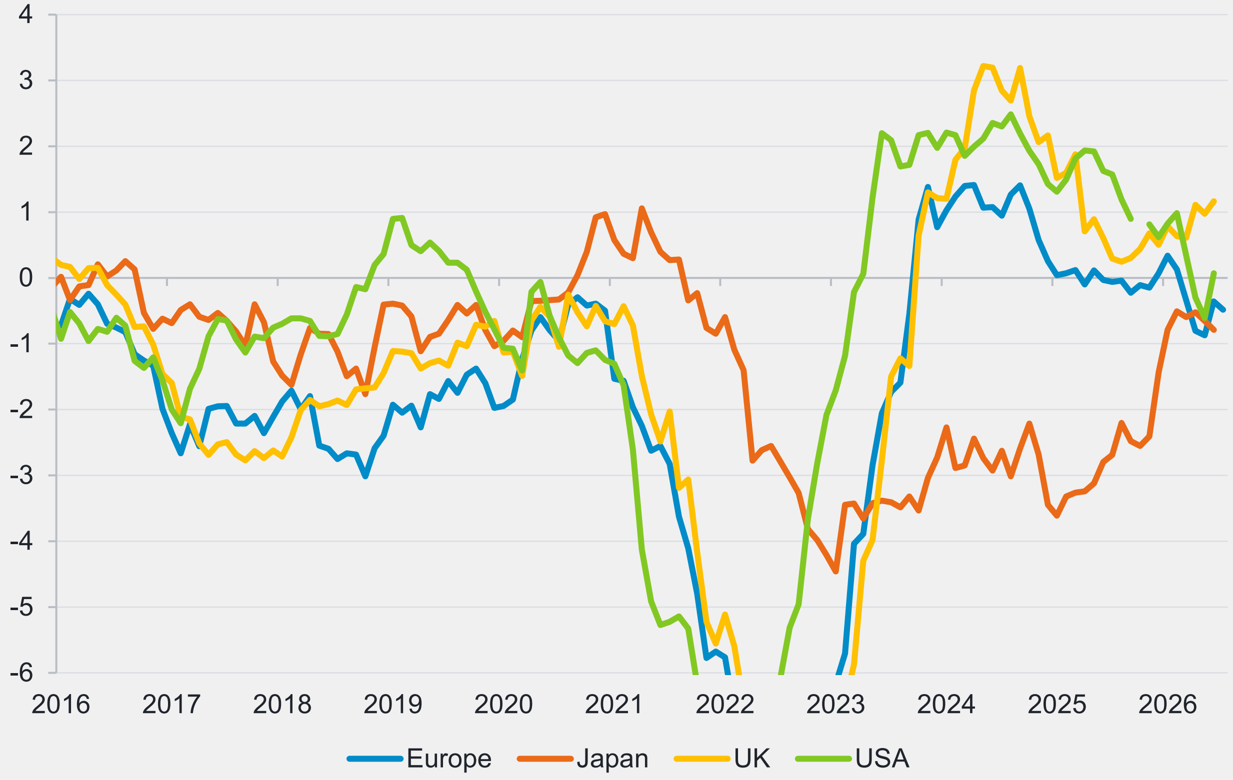
| | – – | – | = | + | ++ |
|---|---|---|---|---|---|
| **Cash** | | | ● | | |
| US dollar | | | ● | ← | |
| Euro | | → | ● | | |
| Japanese yen | | ● | ← | | |
| Sterling | | ● | | | |
| Emerging markets FX | | | ● | | |
| Gold | | | → | ● | |

## Key views

- **US dollar moved to neutral:** Fed expectations have repriced and the interventions on the yield curve and in FX markets mean the dollar-debasement theme is re-emerging.
- **Euro upgraded to neutral:** improving European macro fundamentals provide support to the Euro
- **Yen downgraded to underweight:** We expect the boost from recent intervention to fade, while a more sustained appreciation would likely require a meaningful change in fiscal dynamics.
- **More positive on gold:** Dollar-debasement theme re-emerging supports Gold strength along with unwinding of some of the hawkish policy pricing

## We expect real rate differentials to be more of a driving force of currency moves

Real policy rate

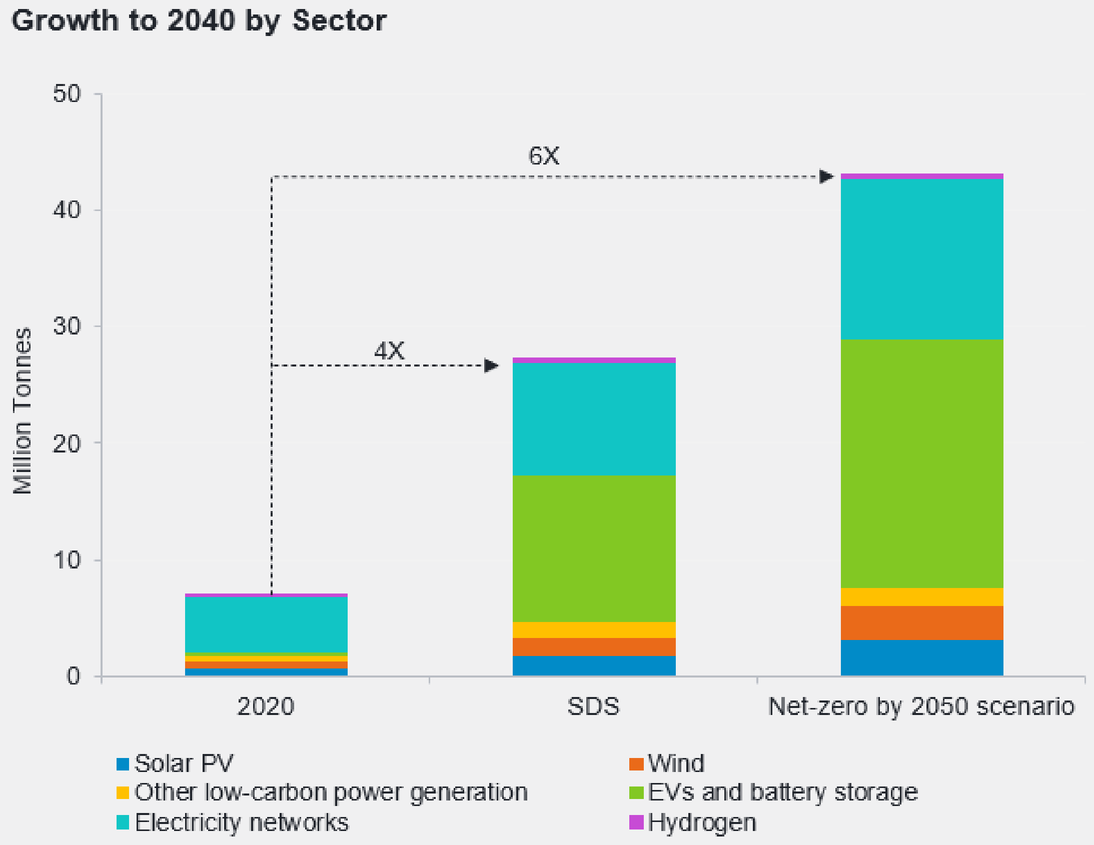



Source: Fidelity International, August 2026. Views reflect a typical time horizon of 12–18 months and provide a broad starting point for asset allocation decisions. However, they do not reflect current positions for investment strategies, which will be implemented according to specific objectives and parameters. Chart source: Fidelity International, LSEG Datastream, August 2026.

# Other TAA views

- **Electrification and resource scarcity:** Electrification, AI infrastructure, and energy security are driving sustained demand for power networks and critical materials at a time when supply remains constrained. We see opportunities across the value chain, including grid infrastructure and selected commodities such as copper, where long development timelines and limited new supply reinforce the structural investment case.
- **Asia Energy Resilience:** Energy security and electrification spending are becoming increasingly structural themes as geopolitical risks accelerate investment in grids and clean-energy supply chains. The idea focuses on selected Chinese and Korean companies exposed to areas including grid infrastructure, batteries, renewables, and reconstruction, with strong underlying earnings growth.
- **Japan mid-caps:** We remain constructive on Japanese mid-caps, supported by strong earnings, domestic exposure, and ongoing corporate reform. The segment also offers attractive relative valuations and provides a more domestically focused expression of Japan's reflationary story.
- **European defence:** Europe's structural rearmament continues to support the defence sector as governments increase procurement and seek to strengthen domestic supply chains. Valuations have risen, but sustained increases in defence budgets and a shift towards equipment-intensive spending continue to underpin the medium-term earnings outlook.

## 4x growth in mineral demand needed to hit Sustainable Development Scenario




Source: Fidelity International, August 2026. Views reflect a typical time horizon of 12–18 months and provide a broad starting point for asset allocation decisions. However, they do not reflect current positions for investment strategies, which will be implemented according to specific objectives and parameters. Chart source: Source: IEA, March 2022. "The Role of Critical Minerals in Clean Energy Transitions

# Important information

This material is for Institutional Investors and Investment Professionals only, and should not be distributed to the general public or be relied upon by private investors.

This material is provided for information purposes only and is intended only for the person or entity to which it is sent. It must not be reproduced or circulated to any other party without prior permission of Fidelity.

This material does not constitute a distribution, an offer or solicitation to engage the investment management services of Fidelity, or an offer to buy or sell or the solicitation of any offer to buy or sell any securities in any jurisdiction or country where such distribution or offer is not authorised or would be contrary to local laws or regulations. Fidelity makes no representations that the contents are appropriate for use in all locations or that the transactions or services discussed are available or appropriate for sale or use in all jurisdictions or countries or by all investors or counterparties.

This communication is not directed at, and must not be acted on by persons inside the United States. All persons and entities accessing the information do so on their own initiative and are responsible for compliance with applicable local laws and regulations and should consult their professional advisers. This material may contain materials from third-parties which are supplied by companies that are not affiliated with any Fidelity entity (Third-Party Content). Fidelity has not been involved in the preparation, adoption or editing of such third-party materials and does not explicitly or implicitly endorse or approve such content. Fidelity International is not responsible for any errors or omissions relating to specific information provided by third parties.

Fidelity International refers to the group of companies which form the global investment management organization that provides products and services in designated jurisdictions outside of North America. Fidelity, Fidelity International, the Fidelity International logo and F symbol are trademarks of FIL Limited. Fidelity only offers information on products and services and does not provide investment advice based on individual circumstances, other than when specifically stipulated by an appropriately authorised firm, in a formal communication with the client.

Europe: Issued by FIL Pensions Management (authorised and regulated by the Financial Conduct Authority in UK), FIL (Luxembourg) S.A. (authorised and supervised by the CSSF, Commission de Surveillance du Secteur Financier), FIL Gestion (authorised and supervised by the AMF (Autorité des Marchés Financiers) N°GP03-004, 21 Avenue Kléber, 75016 Paris) and FIL Investment Switzerland AG.

UAE: The DIFC branch of FIL Distributors International Limited is regulated by the DFSA for the provision of Arranging Deals in Investments only. All communications and services are directed at Professional Clients and Market Counterparties only. Persons other than Professional Clients and Market Counterparties, such as Retail Clients, are NOT the intended recipients of our communications or services. The branch is established pursuant to the DIFC Companies Law, with registration number CL2923, as a branch of FIL Distributors International Limited, registered in Bermuda. FIL Distributors International Limited is licensed to conduct investment business by the Bermuda Monetary Authority.

In Hong Kong, this material is issued by FIL Investment Management (Hong Kong) Limited and it has not been reviewed by the Securities and Future Commission.

FIL Investment Management (Singapore) Limited (Co. Reg. No: 199006300E) is the legal representative of Fidelity International in Singapore. This document / advertisement has not been reviewed by the Monetary Authority of Singapore.

# Important information

In Taiwan, Independently operated by Fidelity Securities Investment Trust Co. (Taiwan) Limited 11F, No.68, Zhongxiao East Road, Section 5, Taipei 110, Taiwan, R.O.C. Customer Service Number: 0800-00-9911.

In Korea, this material is issued by FIL Asset Management (Korea) Limited. This material has not been reviewed by the Financial Supervisory Service, and is intended for the general information of institutional and professional investors only to which it is sent.

Issued in Japan, this material is prepared by FIL Investments (Japan) Limited (hereafter called “FIJ”) based on reliable data, but FIJ is not held liable for its accuracy or completeness. Information in this material is good for the date and time of preparation, and is subject to change without prior notice depending on the market environments and other conditions. All rights concerning this material except quotations are held by FIJ, and should by no means be used or copied partially or wholly for any purpose without permission. This material aims at providing information for your reference only but does not aim to recommend or solicit funds /securities.

For information purposes only. Neither FIL Limited nor any member within the Fidelity Group is licensed to carry out fund management activities in Brunei, Indonesia, Malaysia, Thailand and Philippines.

FIL Investment Management (Australia) Limited (ABN 34 006 773 575, AFSL No. 237865) and FIL Responsible Entity (Australia) Limited (ABN 33 148 059 009, AFSL No. 409340) are the legal representatives of Fidelity International in Australia. This is intended as general information for a person who is a "wholesale client" under section 761G of the Corporations Act 2001 (Cth) and has been prepared without taking into account any person’s objectives, financial situation or needs. Not for distribution to or use by retail clients.

**ISG6655**