

GLOBAL MACRO QUARTERLY OUTLOOK

Unlocked

- Hormuz reopening does not mean a market reset
- Monetary policy no longer a tailwind
- Higher starting yields offer a return cushion

While the news flow remains dominated by headlines, a peace deal has now been signed between Iran and the US. But even if the Strait of Hormuz reopens, does that mean markets can simply return to the conditions that prevailed before the conflict?

For some market themes, such as the AI capex boom and higher fiscal spending, this will likely be the case. For others, however, a return to February conditions looks less likely. Inflation is an example. Expectations about the level and stability of inflation are unlikely to reset quickly given the risk of second-order price effects, and the continued tail risk of renewed escalation. This probably explains why a growing disconnect has emerged across asset classes. Rates markets have adjusted, reflecting a more cautious stance on inflation and policy, while equity and credit markets continue to price a relatively benign outcome. Stronger-than-expected US labor data has reinforced expectations of prolonged restrictive monetary policy, while higher funding costs, combined with elevated debt levels, are adding to the pressure.

Monetary policy is no longer a clear tailwind for growth. Instead, it is expected to remain restrictive, or at best neutral, contributing to downward revisions in global growth expectations for 2026. In Europe, the ECB raised rates by 25 bps in June, its first increase since 2023, underscoring its focus on containing renewed inflation pressures. The BoJ is also expected to move further toward tightening even after hiking rates in June. In the US, the outlook is more complex. Fed Chair Kevin Warsh, who made a hawkish debut at the June FOMC meeting, faces a difficult balance between political pressure to cut rates and macro conditions, including elevated inflation and a resilient labor market, that

argue for a hike. Such a step can probably only be prevented by favorable inflation developments.

As a result, we have become more cautious on duration, as persistent inflation and a more restrictive policy backdrop reduce the appeal of outright positions. Instead, the focus has shifted toward relative value and cross-market opportunities. In this context, we have reduced duration exposure, particularly at the front end in Europe, where ECB hawkishness and geopolitical risks continue to leave rates vulnerable

That said, in the US, improved valuations justify a modest long bias, even as there is a chance the Fed will hike interest rates. Moreover, higher yields also mean that at an index level, government bonds currently offer a significant cushion against negative returns going forward (see Figure 1). In Japan, we maintain our JGB underweight but have scaled it back, with much of the tightening outlook now priced in. Along the curve, we are moving away from steepeners, adding euro 5s30s flatteners and exiting UK steepeners, while identifying re-steepening potential in Norway. Increased cross-market dispersion is also creating

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Global Macro Team

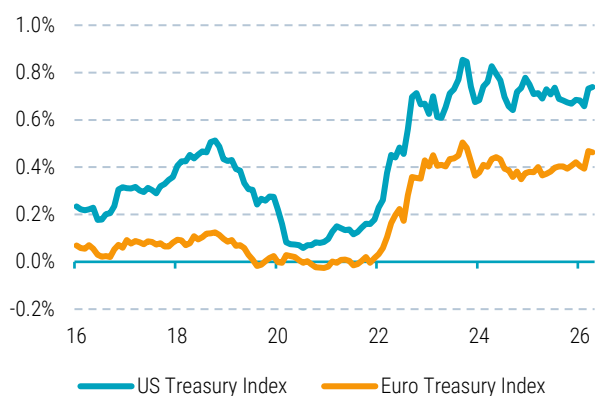
opportunities, including short Sweden versus the euro area and positioning for a tighter Australia-New Zealand spread.

Credit markets remain resilient, with spreads near historical lows. Investor demand remains robust, supported by a strong 'buy-the-dip' mindset even as expectations shift from rate cuts to rate hikes. However, underlying risks remain, including in the private credit market, where exposure to software and tech companies, as well as smaller borrowers, warrants close monitoring. In our portfolios, this is reflected in maintaining a more tactically conservative risk stance, favoring selective reductions in credit exposure and the use of hedging during weaker periods. We do maintain selective overweights in SSA issuers, particularly the EU, supported by favorable valuations, supply and credit profile.

In EM local debt, favorable valuations and strong technicals continue to underpin the asset class. Inflation remains contained, though rising energy prices add risk.

Positioning is focused on higher-conviction opportunities. In hard currency, this means an overweight in energy exporters and improving credits like Argentina, with selective exposure to Brazil, Romania, and Colombia. In local markets, we favor Europe and Latin America, while Asia remains less attractive. Political developments have improved the outlook in selected markets, including Hungary and Colombia.

Figure 1 – Yield rise, a long position can sustain before experiencing negative returns on a 1-year basis



Past performance is no guarantee of future results. The value of your investments may fluctuate. Source: Bloomberg, June 2026, proxied by dividing index yield to worst by its duration

Macroeconomic and policy outlook

- High energy prices bring risk of broadening inflation
- Central banks to pursue tighter policies
- Expanding fiscal policies offers some cushion

Growth outlook: Europe to feel the energy price shock

During our *Quarterly Outlook* we discussed the expected consequences of the prolonged disruption of global energy markets. Clearly these consequences are already being felt in lower-income economies such as Asia and Africa, as well as large energy importers in Europe. Discussing the outlook for growth, we revisited the supportive factors highlighted in our March Quarterly Outlook, when the Iran war was in its early days. Two of these factors are still intact: sustained growth momentum driven by technology investments and a positive fiscal impulse in both the US and the Eurozone.

In the US, private capex spending growth accelerated further in Q1 and newly announced plans suggest the upbeat pace in spending will continue. The significant imports needed in especially datacenter capex imply that the net growth impact of these investments will likely spread beyond US borders and flow toward specific Asian economies, like South Korea and Taiwan.

Since March, fiscal policy has also been loosened further in many countries to compensate households for the rise in energy costs. Still, the fiscal response so far has been much more contained than during the 2022 energy crisis. For example, in Europe governments have announced compensation measures worth just above 0.1% of GDP.

But not all growth drivers have remained intact. Before the Iran war, monetary policy was seen as a third factor supporting growth. But for official rates the outlook has changed materially. Rather than being a supportive factor, monetary policy is now expected to be targeted at cooling growth or be a neutral factor at best. This probably explains why the consensus growth expectations for the US economy in 2026 have come down by 0.4pp to 2.1%. This adjustment is comparable to the one observed for the Eurozone, which is remarkable given that the Eurozone economy is much more vulnerable to high energy prices.

Another negative factor is the erosion of household disposable income, resulting from higher energy expenses. Wage growth tends to lag inflation and with CPI inflation

rising to 4.2% in the US and 3.2% in the Eurozone, real wage growth has turned negative. Similar inflation jumps have been witnessed across a range of countries, albeit with notable exceptions, like Japan and Sweden.

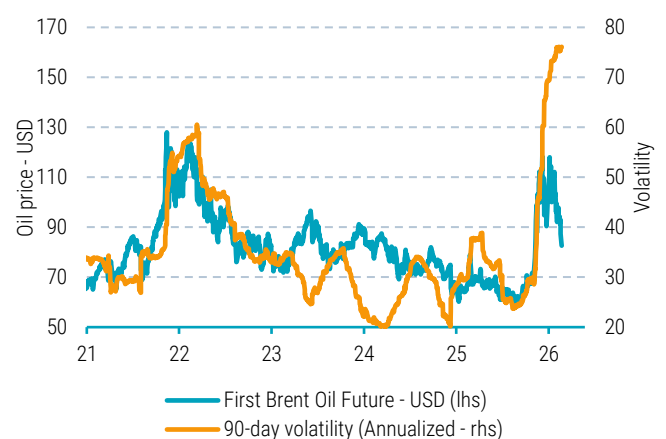
Inflation outlook: upside risks broadening

In May the ECB published a study¹ on energy crises since 1996. In this study it was highlighted that the energy intensity of the Eurozone economy has halved since 1990. Still, the study suggests that at a Brent oil price of circa USD 80 per barrel, the impact on Eurozone GDP could be -0.5% in 2026 and -1% next year. The larger impact in the second year results from a postponement of investment plans due to higher costs and increased uncertainty. With optimism growing that the Strait of Hormuz will be fully re-opened, hopefully the impact for next year could remain more limited than implied by this study. At least the June ECB staff estimates suggested a more modest impact. Fed research points to a smaller growth impact for the US. These estimates suggest a -0.06 pp impact on GDP for every 10% rise in energy prices after one year.

Looking across the globe, the OECD has identified Japan and South Korea as large developed economies with a reliance on energy imports from the Middle East. In response to the rise in energy prices the BoJ indeed lowered its growth outlook for this year by 0.5 pp to 0.5%. Other large countries with such a reliance are amongst others: South Africa, India and, to a lesser degree, China.

For China we see some improving signs in rising M2 growth and exports. Still, construction data, the OECD leading indicator and our China growth proxy, suggest growth is not yet recovering.

Figure 2 – Oil price and price volatility



Source: Bloomberg, June 2026

¹ [ECB: Analytical perspectives on energy supply shocks](#)

Monetary policy: no longer a tailwind

The prolonged energy price shock and risk of a broadening of price increases has changed the outlook for central bank policy. Some central banks have already responded to these inflation concerns by hiking interest rates. The ECB, RBA and Bank Indonesia are examples. Other central banks, e.g. the BoE, are postponing cuts or contemplate whether policy should turn away from easing toward tightening. Perhaps the expected re-opening of the Strait of Hormuz comes in time to prevent this from happening.

The Fed seems to be in a difficult position in this debate. Before the Iran war started the market was anticipating 50-75 bps in rate cuts for this year, expecting a dovish policy from new Fed President Kevin Warsh. Three months later market pricing has turned to pricing in a 25 bps hike by October. The change in pricing is to a large part related to the energy price shock, but recent economic data also play a role. Strong payrolls growth and job opening numbers have raised the question whether Fed policy is really restrictive at the current 3.50-3.75% rate? This suggests an upside risk to rates, but faced with political pressure and a wide range of views within the FOMC, hikes may be avoided if inflation turns more favorably.

For the ECB we expect some further tightening of policy. Unless energy prices change materially, we expect an additional 25-50 bps in hikes for this year. This path of measured tightening was confirmed by President Lagarde at the June Governing Council meeting. Keeping the depo rate at 2.25% requires a significant drop in energy prices. Note however, that in scenarios where the ECB lifts the depo rate beyond 2.5%, there would be pressure to cut rates back quickly. Central European central banks are expected to follow the ECB and tighten modestly or keep rates on hold. Hungary's MNB is an exception, with the change in government and strong forint opening the door to easing.

The uncertainty created by high energy prices has delayed monetary tightening by the Bank of Japan. Still, the BoJ eventually hiked in June and we expect them to remain on a gradual hiking path. For the PBoC we still see a tendency to ease policy. Domestic demand and inflationary pressures in China remain subdued, and a sustained recovery in the housing market has yet to materialize.

Rates strategy

- Valuations favor a modest overweight in US Treasuries
- Adding to curve flatteners in Europe
- Increasing focus on cross-market opportunities

While we initially viewed the rise in global yields as a tactical re-entry opportunity, we have become more cautious on outright positioning as central bank policy rates are likely to go more restrictive as inflation pressures could be more persistent. Overall, increasing divergence across regions reinforces a more selective and relative value-driven approach, with greater focus on curve and cross-market opportunities.

In the US, the strong underperformance of Treasuries versus other rates markets has improved valuations. Markets now price in a 25 bps hike by October, although this is not a done deal yet. Notably, the Trump administration has signaled a focus on containing long-end yields, including via potential easing of bank leverage constraints (which could support Treasury demand) and a tilt toward increased bill issuance to limit duration supply. Hence, valuations justify a small long bias, even as the labor market shows signs of turning. We did close our US 5s10s steepener, as strong labor market data and a more cautious Fed stance reduce the scope for near-term steepening and support a flatter curve profile.

In the Euro area, we have reduced our overweight duration exposure, particularly at the front end of the Euro curve. The extension of geopolitical tensions, combined with a more persistent inflation backdrop, points to a more prolonged restrictive stance from the ECB. As a result, front-end rates remain vulnerable and the case for maintaining elevated duration exposure in this segment has weakened.

In Japan, we have been running a strategic underweight position in JGBs for an extended period, during which the market has underperformed relative to other developed markets. While we still expect further policy normalization from the Bank of Japan, this outlook is now largely reflected in market pricing, with roughly two additional steps priced in for this year. At current levels, we maintain the underweight position, but have reduced the size of it to partially lock in gains from the upward rate move over the past years.

The current environment continues to support the shift away from steepeners initiated in Q1. In the euro area, we are gradually building a 5s30s flattener: a potentially more hawkish ECB and higher deposit rates anchor the front end, while weaker growth supports the long end. At the same

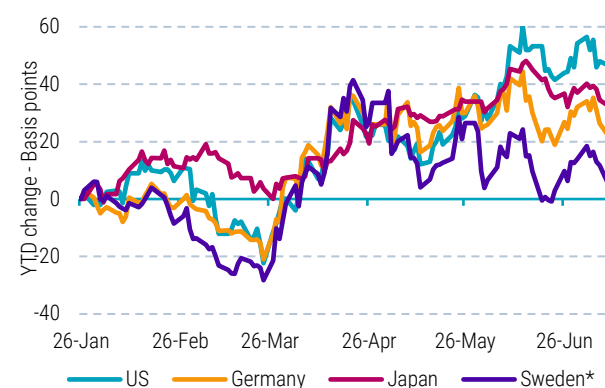
time, yields near 15-year highs make long-end valuations increasingly attractive. Elevated issuance remains a risk factor, although much of this should already be priced in, as the key German fiscal spending announcement dates back to February last year.

In the UK, we have also reduced and effectively exited the 3s7s steepener. While fiscal dynamics continue to pressure the long end, we expect the short end to adjust higher in line with global trends. With EUR and US curves continuing to flatten, we see limited justification for the UK remaining an outlier.

An important exception is Norway, where the curve remains inverted. Here, we see scope for re-steepening, as it is difficult to envisage Norges Bank becoming materially more hawkish from current levels. This should limit further inversion and support gradual normalization of the curve.

Rising cross-market dispersion is creating opportunities. We have initiated a short SEK vs euro area position, as subdued Swedish inflation is likely to mean revert, implying underperformance of Swedish bonds. We are also positioning for a tighter Australia-New Zealand spread: NZ 10y rates are historically rich vs Australia, but stronger PPI pass-through, rising inflation expectations, and improving retail activity point to upward pressure on NZ yields relative to Australia.

Figure 3 – Year-to-date changes in 5-year government bond yields



Past performance is no guarantee of future results. The value of your investments may fluctuate. Source: Bloomberg, June 2026

*uses swap rates

Fixed income asset allocation

- Higher base rates keep the flows coming
- BDC redemption requests continue to be capped
- Tactically conservative in overall risk

Credit markets: resilience

After a brief episode of widening spreads over March, driven by a longer-than-expected escalation of the Iran conflict, credit spreads have reversed course and are now back close to all-time lows. The resilience of credit spreads is supported in a strong buy-the-dip mentality within broader risk markets. Notably, the shift in rates markets from expecting rate cuts to hikes, has not dented investor demand for corporate credit as inflows remain strong into the asset class.

The steady news flow of restricted Business Development Companies (BDC) redemption requests continues, yet different parts of the private credit landscape have responded in contrasting ways. Listed equities of BDC companies remain under pressure, while the bonds issued by the BDC entities have recovered a large degree of the spread widening, reflecting trust in each company's ability to refinance itself. This is a risk-positive development, as limiting withdrawals is seen as sufficient to prevent a situation in which forced selling, to fund liquidations, becomes self-reinforcing.

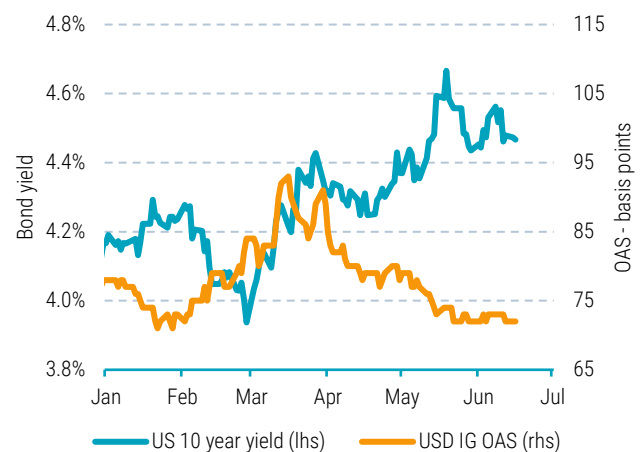
Nevertheless, the underlying investments made by private credit firms continue to face two structural headwinds. The first is high sector concentration in software-related companies. This sector is undergoing significant repricing due to the impact of AI disruptions. US leveraged loan indices offer a mark-to-market perspective on the software and technology loans, which continue to trade at spreads above 700 bps, approaching distressed levels.

Second, private credit tends to lend to smaller companies than those typically represented in the corporate bond market. Smaller companies are facing significantly higher default rates since the post-Covid boom faded. This small-versus-large divide is also present within the corporate bond market, where default rates in the smallest quartile are roughly four times higher than those in the largest quartile of issuers.

At the same time, AI-driven investment is now a significant source of all newly issued corporate bonds, making up 14% of YTD issuance in USD IG. As our colleagues in the credit team argue, bottom-up credit selection should focus on issuers with hard assets and a low risk of obsolescence.

In a market environment where excess credit returns are dominated by carry, underweights should only be implemented on a tactical horizon as there is a cost for waiting. Yet, throughout the quarter we believe it is warranted to tactically position for moments of weakness. Higher base rates are improving the relative attractiveness of government bonds, while credit valuations have not been repriced to reflect the shift in central bank expectations and the accumulation of underlying risks. As a result, we see merit in selectively reducing credit exposure and tactically implementing hedges. We still like overweights in specific issuers within the SSA space such as the EU. EU issuance is likely to peak in 2026 as New Generation EU (NGEU) ends. The liquidity in EU bonds is almost on par with France, whilst having a higher rating.

Figure 4 –Year-to-date credit spreads are resilient



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European country spreads: at a turning point

European country spreads have not yet fully recovered from the widening seen in March, as the very favorable market environment of the past years is gradually shifting on multiple fronts. The investment boost from the NGEU funds will come to an end in September, although delayed investments will likely remain supportive for growth over the next two years. However, higher oil and rising gas prices are not good news for European countries, which rely heavily on imports. Although pipelines from Algeria, Nigeria and Norway provide some relief, Europe heavily relies on LNG from the US and Qatar. After initially having depleted their inventories, the Chinese have also recently been large buyers of LNG, outbidding Europe. The first signs of second-round effects start to emerge, but as it normally takes 6-18 months to see the full effect of higher energy prices, risks are that higher

prices will be visible in a much broader context in the coming months.

Markets price in at least one more rate hike by the ECB in the coming months, which means government interest expenditures will also likely pick up again. The Italian debt level has been on a gradual declining path over the past years, but this is likely to reverse. While on the whole we are still moderately positive on Italy, we have tactically shifted our portfolios to a more cautious stance on BTPs, mainly as a hedge.

On France, we have been cautious for a while, and will likely remain so in the coming quarters. Although France has the benefit of being much less energy dependent due to its nuclear facilities, government spending remains too high. Debt/GDP has risen sharply, and is expected to continue its rising trend. French presidential elections in 2027 will likely limit any potential tightening of the budget for next year, meaning the excessive deficit procedure remains in place.

We continue to like bonds from the Netherlands, Portugal and Greece. Dutch fundamentals exceed those of Germany, so we expect spreads can trade closer to or even below those of German Bunds. Growth in Spain, Portugal and Greece continues to exceed the Eurozone average, meaning debt is on a further declining path. Spreads have been reflecting these stronger fundamentals.

EM debt: selection is key

Emerging market debt maintained its momentum into Q2, rebounding from the March correction on resilient fundamentals and supportive technicals. In local currency, EM rates drove returns and outperformed EM FX, as the shift in US monetary policy expectations supported the USD. This strength weighed particularly in Asian FX, where higher energy prices exposed importer vulnerabilities. In Latam, currencies have proved to be more resilient. In hard currency, spreads resumed tightening from April, as improved sentiment, supported by ceasefire developments and sustained carry demand, offset the drag from higher US Treasury yields.

The macro backdrop remains manageable for EM debt markets, but the landscape is becoming more complex. EM inflation has been contained so far, though potential supply constraints in energy and fertilizers may trigger second-round effects. In local currency, nominal and real yields have repriced higher alongside global rates expectations, pushing real yields above 3% and restoring a meaningful risk

premium. Structurally, EM fundamentals remain supportive. Policymakers have adopted more orthodox frameworks, while a favorable commodities cycle has helped rebuild FX reserves and strengthen credit metrics, underpinning a re-rating cycle since early 2024.

Valuations remain supportive but increasingly selective. EM rates look attractive given rebuilt risk premiums, while EM FX is less compelling near term due to USD strength. EM spreads are tight versus history, while all-in yields remain attractive relative to developed market credit, especially in higher-yielding segments.

Technicals continue to provide strong support to a carry environment. After years of underinvestment, EMD inflows have gained momentum through 2025 into 2026. Positioning remains relatively light, particularly in local markets where foreign ownership is modest relative to history. External supply, including from higher-yielding issuers, has also been well absorbed with limited strain.

Within hard currency credit, positioning is skewed toward energy exporters, such as Angola and Ecuador, alongside continued exposure to Argentina on the back of improving credit dynamics. Opportunities also remain in Romania and Brazil, while we have also re-engaged with Colombia as political uncertainty fades.

Figure 5 – Median real yield in emerging markets



Past performance is no guarantee of future results. The value of your investments may fluctuate. Source: JP Morgan, National statistical agencies, Macrobond, June 2026

In local currency markets, allocations are concentrated in Europe and Latin America, particularly in Hungary, Turkey, South Africa, Brazil, and Colombia, where policy dynamics and valuations remain supportive. Asian rates markets remain less attractive given weaker macro fundamentals. Recent political developments have played an important role

in shaping positioning. In Hungary, the shift toward more orthodox and pro-European policy following the election has already driven strong performance but is expected to support further risk premium compression. In Colombia, election-related volatility initially pushed risk premiums higher, but improving sentiment following the first round has reinforced the case for further upside, particularly as policy clarity improves.

In G10 FX, EUR and JPY have remained subdued despite elevated macro volatility. The medium-term bias is moderately bearish on the USD, reflecting expectations that the Fed may underdeliver and a gradual diversification away from extended USD positioning. Inflation spillovers could prompt a more proactive ECB stance, narrowing rate differentials and providing support for the EUR. By contrast, pricing for two BoJ hikes appears excessive. As the BoJ may be cautious in adjusting rates, this could lead to JPY underperformance. AUD should also benefit as a tight labor market supports the case for further RBA tightening.

Within EM FX, Latam offers the most compelling opportunities, with COP standing out on attractive real rates and supportive politics. Asia remains more challenged, as higher commodity prices, weaker external balances, and El Niño risks weigh on currencies like IDR and INR, although SGD may remain supported by tighter policy. In CEEMEA, the HUF re-rating has largely run its course, while select frontier carry FX remains the key opportunity set.

Table 1 – Asset class preferences

	Constructive	Neutral	Cautious
Bunds		✓	
US Treasuries		✓	
JGBs			✓
Euro periphery		✓	
EM local	✓		
EM HC	✓		
IG credit			✓
HY credit			✓
SSA	✓		

Source: Robeco, June 2026

We wish to thank George Cole (Goldman Sachs), Andreas Kolbe & Marek Raczko (Barclays) and Guneet Dhingra (BNP) for contributing to our quarterly outlook meeting.

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