



HOUSE VIEW

INVESTMENT WILL BE
THE ENGINE OF THE CYCLE

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STRATEGIC POSITION

ASSET ALLOCATION					
ASSET CLASS	-2	-1	NEUTRAL	+1	+2
LIQUIDITY		■			
FIXED-INCOME			■		
EQUITIES			■		
ALTERNATIVES				■	
FIXED-INCOME	-2	-1	NEUTRAL	+1	+2
SOVEREIGN DEBT		■			
<i>United States</i>			■		
<i>Euro</i>			■		
CORPORATE BONDS				■	
<i>Investment Grade</i>				■	
<i>High Yield</i>			■		
EMERGING MARKET DEBT				■	
CONVERTIBLE BONDS			■		
EQUITIES	-2	-1	NEUTRAL	+1	+2
EUROPE			■		
UNITED STATES				■	
EMERGING MARKETS			■		
REST OF WORLD		■			
ALTERNATIVES	-2	-1	NEUTRAL	+1	+2
LIQUID			■		
ILLIQUID					■
CURRENCIES	-		NEUTRAL		+
DOLLAR			■		
POUND STERLING			■		

We are facing a cycle that will extend, led by investment.

We are beginning a new five-year period in which improved financial conditions and fiscal incentives aimed at strategic sectors will lay the foundations for an extension of the cycle. After the global economy achieved a soft landing last year, and although the start of 2026 is once again leaving us with high geopolitical uncertainty, there are still sufficient support factors for global growth to continue.

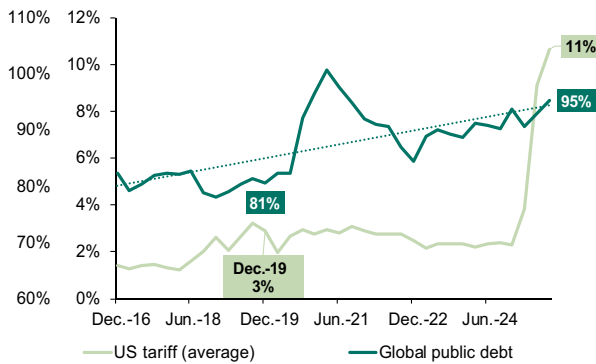
We believe that investment in technology and artificial intelligence (AI), in a private debt cycle that is not excessive, will boost growth and productivity globally.

Although we are starting a five-year period with some headwinds...

Over the past five years, the global economy has faced severe economic shocks that have left scars, but have not prevented recovery: the pandemic, the invasion of Ukraine, and the “trade war” have been serious disruptions that have left us with a scenario marked by a high public debt burden and tariffs at their highest levels in the last century.

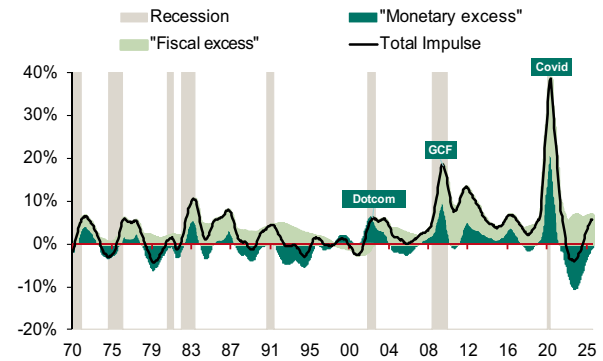
1. HEADWINDS: US TARIFFS AND GLOBAL PUBLIC DEBT AT RECORD HIGHS

Sources: Bloomberg and Banca March



2. STIMULI ARE STILL PRESENT: POSITIVE FISCAL AND MONETARY STIMULUS IN THE US IN 2026(*)

Sources: Bloomberg and Banca March



(*) Monetary Excess (M2 – nominal GDP) and Fiscal (Public Deficit % GDP).

However, in this fragile and uncertain international context – which has become evident in recent weeks with the United States’ intervention in Venezuela, tensions with Greenland, and the fracturing of NATO – it is important to emphasise that countercyclical economic policies will continue to support activity (graphic 2). On the one hand, the world’s major central banks (G-20) will continue to lower the cost of financing, and on the other, new fiscal stimulus will arrive in the major economies throughout the year – the governments of Germany, the US, China, and Japan have already announced tax cuts, increased public spending, and increased investment in infrastructure.

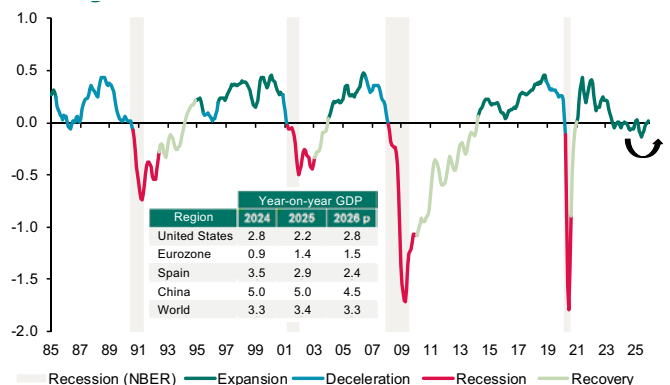
... the strong dynamism of investment, as well as the positive inertia of fiscal and monetary stimuli, will sustain growth.

Beyond the political noise and the distortions experienced since the pandemic, the truth is that the resilience shown by the activity indicators confirms the solidity of the cycle and allows us to anticipate that global growth will reach an increase of +3.3% this year, a pace very similar to the historical average and to what has been seen in the last two years.

At the regional level, the United States will continue to show superior dynamism, supported by its higher productivity, which will favour an increase in private wealth and consumption. As our cycle momentum model indicates, we anticipate a rebound in growth to rates close to +3%.

3. US CYCLE MOMENTUM MODEL AND REGIONAL GDP FORECAST

Sources: Bloomberg, O.E. and Banca March



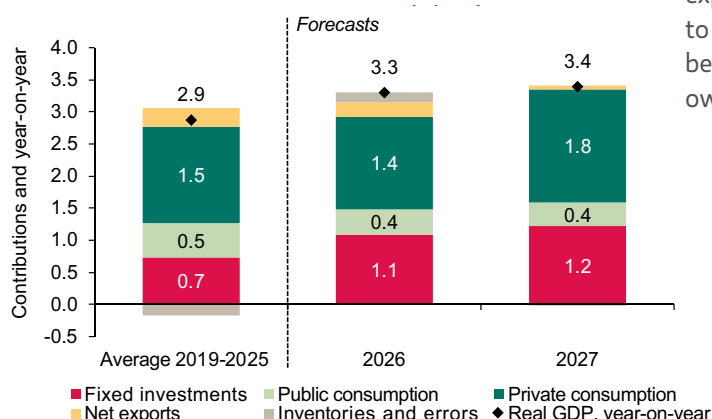
In the eurozone, growth will be more moderate and with an increase in internal divergence. Germany is emerging as the economy with real acceleration capacity due to its fiscal stimulus – primarily aimed at infrastructure and defence investments – favouring the recovery of its industrial fabric. In response, France will continue trying to adjust its large public deficit and, in a context of high political uncertainty, its growth will remain weak and below +1%.

As for Spain, it will grow above the average of its European partners (+2.4%), but losing momentum compared to previous years as the drive and boom in the tourism sector “normalises”. Domestically, the lack of productivity growth and the growing imbalance in the real estate sector – we estimate that the housing deficit will increase this year by another 101,000 units, placing the accumulated deficit since 2015 above 733,000 homes – are bottlenecks that will slow growth.

Finally, in China, after meeting official targets and growing by +5% last year – thus managing to overcome higher US tariffs – the economy is advancing at two speeds, but with internal weaknesses that will lead to a slowdown to +4.5% growth. Sectors related to real estate have intensified their contraction – construction fell by 2.5% in Q4 2025 – while house prices have not yet bottomed out. The property crisis will continue to weigh on consumption, as evidenced by the fact that retail sales have slowed to their lowest growth rate since 2022, rising by just +0.9% year-on-year in December.

4. WORLD GDP: CONTRIBUTIONS (P.P.) AND GDP (%)

Sources: Bloomberg, O.E. and Banca March



In any case, as we show in the graph, this new phase of expansion will have a distinguishing feature compared to what was seen after the pandemic: investment will become the main driver of activity, accounting on its own for nearly a third of the growth in global GDP.

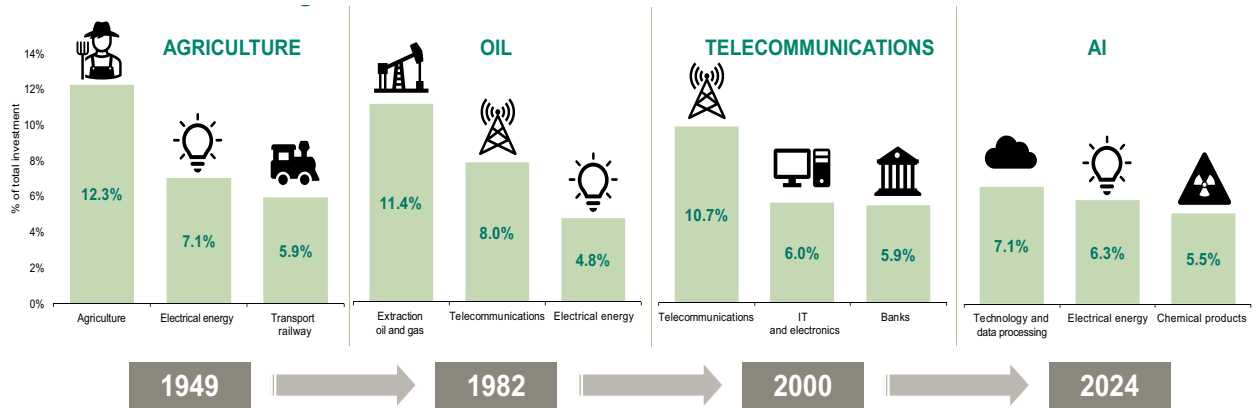
AI as a catalyst for the “creative destruction” of our time...

From our point of view, this new era we are experiencing is marked by the race to develop artificial intelligence and the sharp increase in investment—forces that, as in other periods of “creative destruction” in the past, will lead to a profound economic transformation and an improvement in productivity.

Indeed, if one looks at history, there have been many periods marked by technological innovations that have led to profound changes. As we can see in the following graph, in a schematic and simplified way, in the modern era, the global economy has undergone several transformations driven by innovations that at the time also required a significant investment effort: if at the end of World War II the predominant sector was agriculture, which alone accounted for more than 12% of all productive investment in the US economy, the subsequent reconstruction and development of transportation made the oil sector the undisputed leader. Later, in the 2000s, with the arrival of the internet, we gradually gave way to the telecommunications economy, a period a quarter of a century ago, in which just two sectors (Telecommunications and Computer and Electronic Products) came to account for about 17% of all investment.

5. TECHNOLOGICAL ADVANCES DRIVE ECONOMIC TRANSFORMATION (USA; % TOTAL INVESTMENT)

Sources: BEA and Banca March



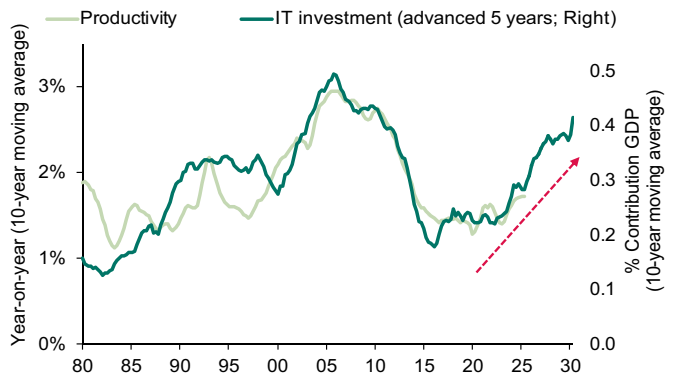
As can be seen from the graph above, these transformation processes have shared two key characteristics. First, the company whose technology becomes obsolete will be overtaken and “absorbed”, which will inevitably entail an economic and social cost.

However, the other pattern that is repeated throughout history is that periods marked by the implementation of technological advances lead to above-average growth.

This improved economic performance is mainly explained by the increase in aggregate productivity and, with it, overall wealth, something that we believe will happen once again during this decade (Figure 6).

6. PERIODS OF TECHNOLOGICAL ADVANCEMENT AND INCREASED INVESTMENT PRECEDE PRODUCTIVITY IMPROVEMENTS

Sources: Bloomberg and Banca March



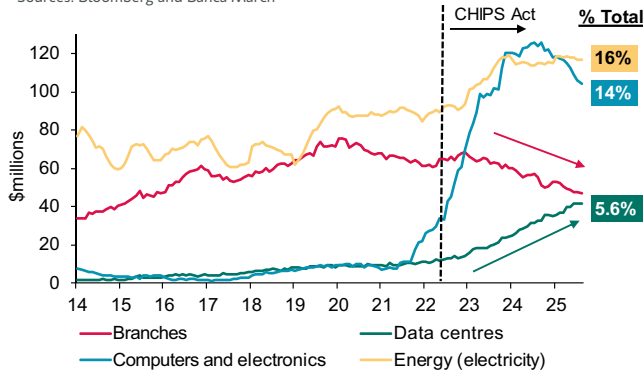
... which, among other changes, will generate greater energy needs.

Today, these effects on the real economy are already very palpable and, for example, the contribution of technology-related investment has explained on average 30% of the growth of the United States’ GDP during the past year.

Furthermore, once this process of widespread adoption of a new technology has begun, not only is aggregate growth accelerating, but the necessary investment in AI development will permeate broader segments of the economy. This will generate new investment opportunities, such as the construction of data centres and new infrastructure, as well as greater energy needs, all of which are highly visible transformations in the economy.

7. NEW INDUSTRIES WILL BRING NEW NEEDS.
USA: SPENDING ON PRIVATE NON-RESIDENTIAL
CONSTRUCTION

Sources: Bloomberg and Banca March



This process of “creative destruction” that we are witnessing is clearly reflected in the private construction figures in the world’s leading economic power, where spending directly on building data centres has practically equalled the construction of offices across the country (graph 7).

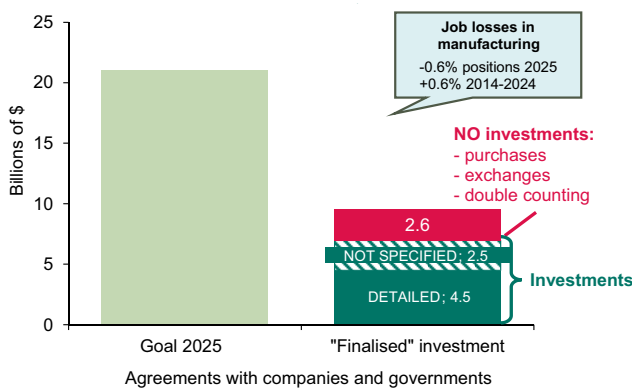
Furthermore, regarding energy needs, it is estimated that, by 2030, nearly one-fifth of the United States’ electricity demand will be linked to data centres, reinforcing the strategic role of infrastructure-related investments: capital allocated to increasing production and improving the electricity distribution network already represents 16% of total spending on non-residential private construction.

Can Trump’s unorthodox economic policies really change this scenario? There’s a big difference between saying and doing.

The US president is known for implementing his proposals in a much more limited way than initially announced. A good example of this is the government’s unmet spending cut targets announced by DOGE, or the implementation of an aggressive pressure strategy for negotiating purposes which subsequently ends up being reversed or partially applied, as in the case of tariffs or tensions with Greenland. This dynamic has given rise in the media to the expression “TACO” (an acronym for Trump Always Chickens Out), used to refer to these changes of position and reversals.

8. THE ACTUAL INVESTMENT DOES NOT CORRESPOND TO THE ANNOUNCED \$9.6 BILLION, NOR TO THE TARGET

Sources: Bloomberg and Banca March

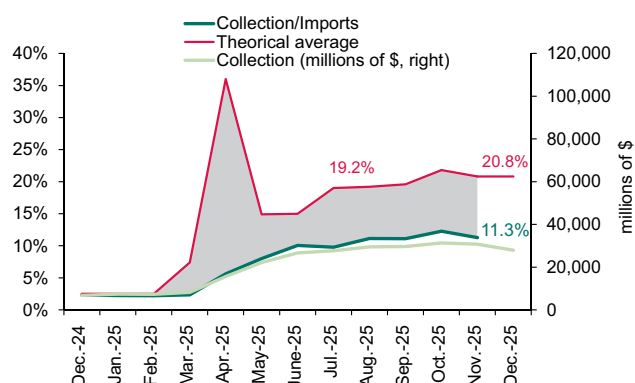


As an example of the first case, the direct investment agreements signed with companies and governments to attract production to the United States would represent, according to information available on the official website, \$9.6 billion, approximately a quarter of the \$21 billion set. Even this figure could be optimistic, given that agreements signed with governments in particular include investments without clear specifications or initiatives that, by definition, cannot be considered investments. In this context, the intention to strengthen domestic industry has also failed to materialise during the current term, with manufacturing employment still contracting.

Regarding the already recurring corrections in trade matters, after back and forth, the current average tariff announced stands at 20.8%. However, if we compare revenue to the value of imports, we have a ratio of 11.3% – that is, on average, for every \$100 of imports the U.S. collects \$11.30. Although this rate means that tariffs have quadrupled since pre-term levels, current revenue is practically half of the announced average tariff (the aforementioned 20.8%), and there is a gap of 9.5 percentage points between the two. This difference reflects that the “reality” – what is being charged and is impacting the economy – is lower than what was “announced”.

9. TARIFF REVENUE VS. ANNOUNCED TARIFFS

Sources: Bloomberg and Banca March



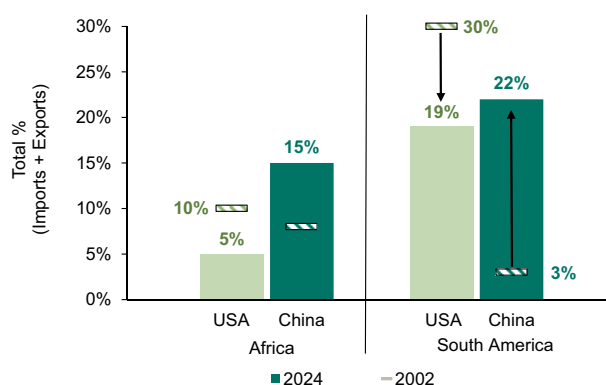
We have also recently witnessed the usual strategy of “threat, negotiation and agreement” in the field of geopolitics and the increase in tensions surrounding Greenland. The threat was to increase the levies applied to several European countries that sent military troops to the Arctic territory by an additional +25 percentage points – up to 40% – starting in June. The tension dissipated thanks to the brief negotiation with NATO, which resulted in a statement announcing that the tariffs would not be applied.

The redefinition of a new international order with the aim of curbing China.

Trump has sought to intensify efforts to curb China’s growing dominance in the global order. The Asian giant controls strategic sectors – such as rare earths, where it accounts for nearly 90% of refining capacity – is rapidly advancing in the artificial intelligence race, and has expanded its influence in international trade. In this respect, China has established itself as a main trading partner in several regions, including parts of Africa and South America, where it already surpasses the U.S. in trade. In just two decades, China has managed to displace Washington: in South America, the United States’ share has fallen from 30% to 19%, below the 22% reached by China, which started from just 3%.

10. CHINA HAS A GREATER COMMERCIAL PRESENCE THAN THE US IN REGIONS SUCH AS AFRICA AND SOUTH AMERICA

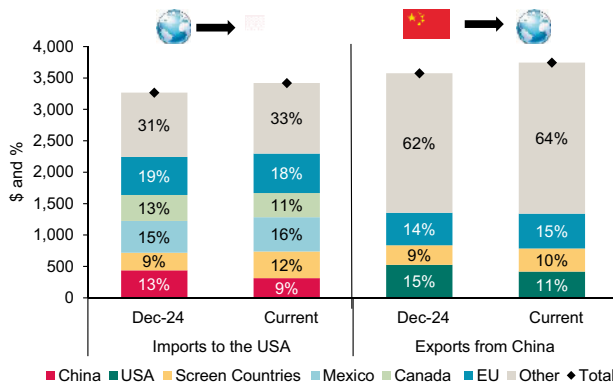
Sources: IMF and Banca March



Among the tactics deployed by the U.S. Administration to contain Beijing were the imposition of extremely high tariffs – an increase of +145 pp – which ended up being reduced to +30 pp after the trade agreement. Another measure was the ban on selling Nvidia chips to China, which ultimately had to give in and allow the export of H200 chips. The reality is that both powers are doomed to understand each other: pragmatism prevails and the United States cannot take its punishments too far.

11. DESPITE EVERYTHING, TRADE IS INCREASING

Sources: Bloomberg and Banca March



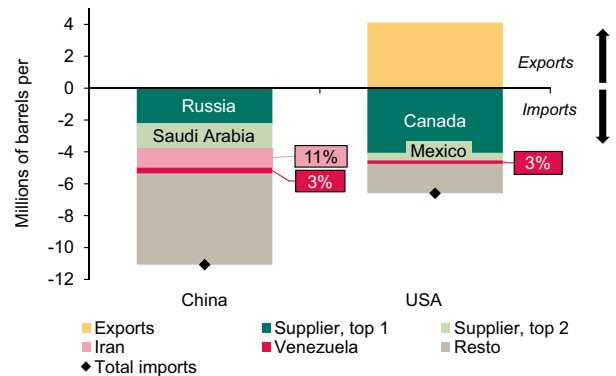
(*) Display countries: Vietnam, Taiwan, and Indonesia.

For its part, China represents the other side of the same coin: their exports to the US have lost relevance and in 2025 registered a year-on-year drop of -20%, while shipments of products to Southeast Asian countries increased by +14%. In addition, part of the surplus that is no longer destined for the US market is channelled towards other trading partners, such as the European Union (+8%) or Africa (+26%).

The latest move by the US government has been to focus on one of China’s main vulnerabilities: its high dependence on foreign oil. Although the Chinese market was fundamental for Venezuela, the truth is that for Beijing, Venezuelan crude represents barely 3%. Much more relevant would be the blocking of Iranian oil, its third largest supplier. However, we consider it unlikely that this scenario will come to pass, which fits with our view that energy prices will remain at contained levels.

12. CHINA’S WEAK POINT: ENERGY IMPORTER

Sources: OPEC, EIA, Bloomberg and Banca March

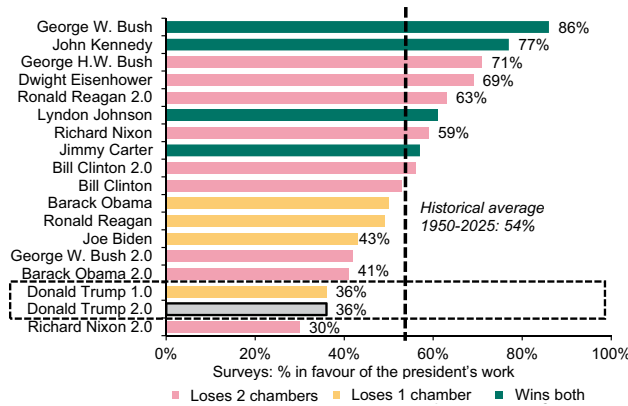


The proximity of the *midterms* requires reaching out to voters, and the economic bias could be even more expansive.

Amid so much attention to foreign policy, Trump must not forget that his fate depends on the “domestic” voter. The legislative elections will be held on November 3rd – the entire House of Representatives and one-third of the Senate will be renewed – a key event because it will determine the degree of control over Congress and the president’s ability to advance his legislative agenda.

13. POPULARITY OF EACH PRESIDENT AFTER THE FIRST YEAR (SINCE 1950)

Sources: Gallup and Banca March



The current president starts with a significant burden: His popularity rating is 36%, the lowest since 1950, only above the 30% recorded by Nixon after the Watergate scandal. Although there is no written rule linking popularity and election results, it is true that there is no precedent for a leader with less than 50% popular approval who has managed to maintain control of both chambers. In the midterm elections during Trump's last term (2022), his party suffered a resounding defeat in the House of Representatives, losing control of it.

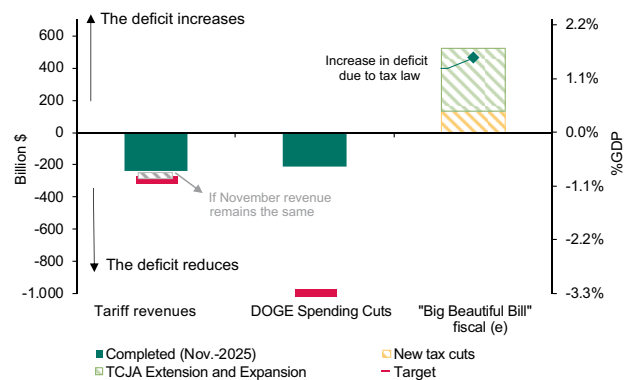
Given this scenario, the White House strategy has begun to shift towards measures focused on affordability, with the aim of reaching the average voter. We saw this with the approval of the extension of healthcare subsidies (*Obamacare*) – the sticking point that led to the government shutdown. This initiative is joined by other announcements aimed at easing the cost of living, such as reducing mortgage rates – through purchases of mortgage bonds – or imposing a 10% limit on credit card interest, although their effective implementation is yet to be determined.

Another key factor in attracting household support will be the implementation of fiscal stimulus measures throughout 2026. There are deductions and exemptions from the *Big Beautiful Bill* that have retroactive effect: overtime and tips accrued throughout 2025, which were subject to withholding, will be offset in the income tax return through refunds. These refunds will be paid to taxpayers in the first part of the year – 80% will be paid before June – and will increase average income by \$450 per person.

Given that, in the short term, the priority is to boost growth, it is very likely that the DOGE's commitment to cutting fiscal expenditure will take a back seat, at least for the next few months. For its part, the tax reform will contribute positively to GDP over the next three years, thus playing a neutralising role on the harmful effect of tariffs. However, from 2028 onwards, the combined effect will be negative, but for Trump now the determining factor is the immediate impact without considering the future consequences.

14. TRUMP'S ECONOMIC POLICIES HAVE CONFLICTING ECONOMIC EFFECTS

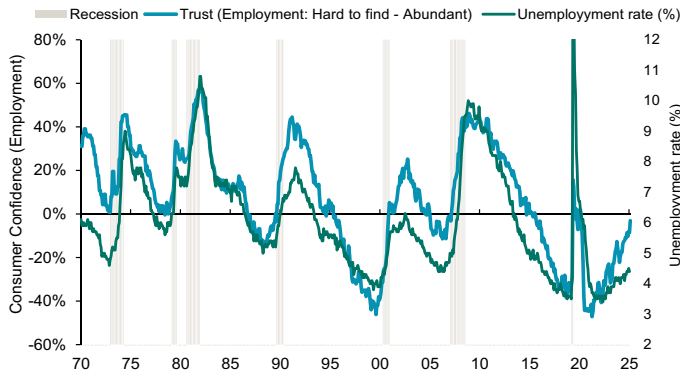
Sources: DOGE, Joint Committee on Taxation, IRA, Bloomberg and Banca March



The labour market is the weak link, but redundancies remain contained.

15. USA: GROWING CONCERNS ABOUT EMPLOYMENT

Sources: Bloomberg and Banca March



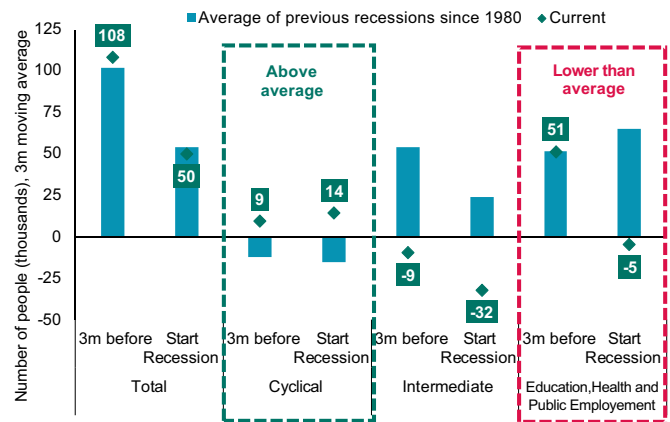
Clearly, one of the decisive factors in gaining popular support ahead of the upcoming US elections will be the health of the labour market. And, if there were any doubts, the start of 2026 has confirmed that US consumer confidence fell in January to its lowest level in more than a decade, with concerns about employment gaining prominence and undermining household confidence (graph 15).

The policies implemented by the Trump administration are having a significant impact on the labour market. Firstly, throughout 2025, the federal government eliminated 149,000 jobs, which means a year-on-year reduction of -0.6% and the first drop in public employment since the pandemic. On the other hand, a more restrictive immigration policy led to stagnation in the foreign workforce in the country, which grew by just 154,000 people last year, representing a drop of 87% compared to the average for the previous four years, when the foreign workforce typically grew by more than 1.1 million people.

In this context, the latest labour market data has given us conflicting signals: employment is slowing down and in the last three months, on average, only 50,000 new jobs have been created, a level that historically would imply the beginning of a recession. However, as we see in the graph, this weakness was explained by the destruction of public sector jobs, while the private and more cyclical sectors of the economy are creating jobs, something that does not historically coincide with periods of weak economic activity.

16. USA: MONTHLY JOB CREATION

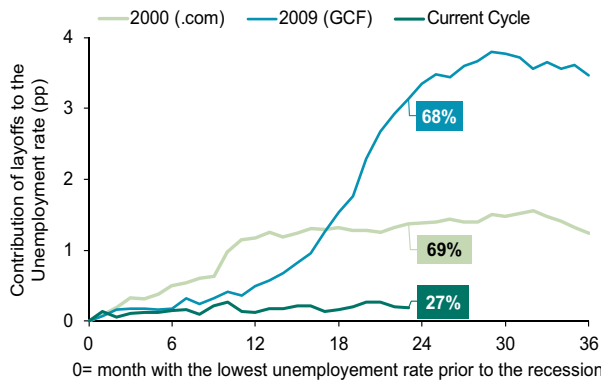
Sources: Bloomberg and Banca March



Therefore, we believe we are going through an adjustment process, with less dynamism in hiring, but with contained layoffs: evidence of this is that, contrary to what happened in previous recessions, layoffs only explain 27% of the increase in unemployment seen in the US (graph 17). Likewise, another effect of the new migration policy is that the slowdown in the growth rate of the foreign labour force will also mean that fewer jobs will need to be created to keep the unemployment rate constant. With the current growth rates of the projected labour force, the creation of 35,000 new jobs per month would be sufficient, instead of the 175,000 needed in 2024 (Figure 18).

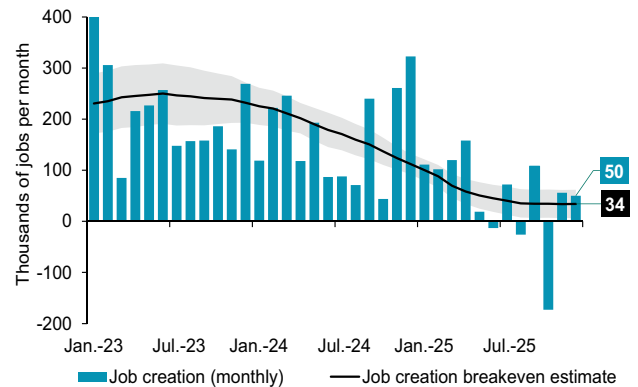
17. USA: LAYOFFS ACCOUNT FOR ONLY 27% OF THE INCREASE IN UNEMPLOYMENT

Sources: Bloomberg, Fed Dallas and Banca March



18. USA: JOB CREATION AND BREAKEVEN

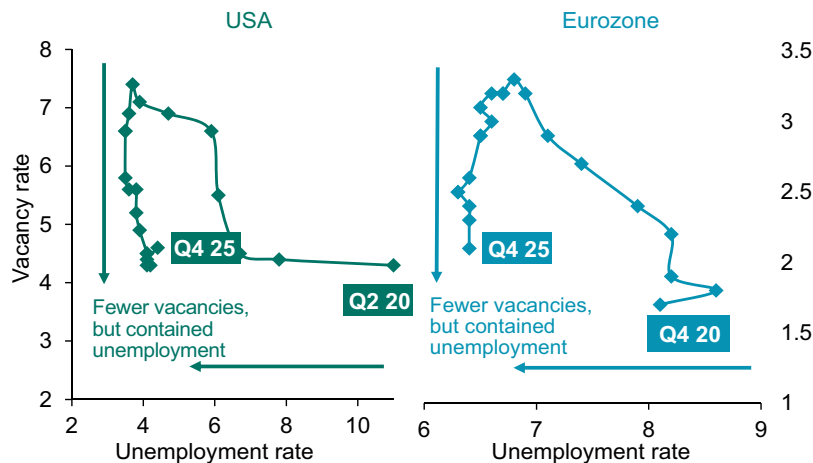
Sources: Bloomberg, Fed Dallas and Banca March



All this, and bearing in mind that the starting point for the labour market is very positive on both sides of the Atlantic – in the United States, we are starting from an unemployment rate of 4.4%, well below the 6.1% average for the last 50 years, while in the eurozone, the unemployment rate is close to historic lows of 6.3%. We believe that, throughout 2026, we will be heading towards a scenario of low recruitment, but with limited redundancies, and therefore there will be a gradual increase in unemployment that will allow unemployment rates to remain at historically low levels.

19. UNFILLED VACANCIES REMAIN HIGH AND UNEMPLOYMENT RATES ARE LOW

Sources: Bloomberg and Banca March

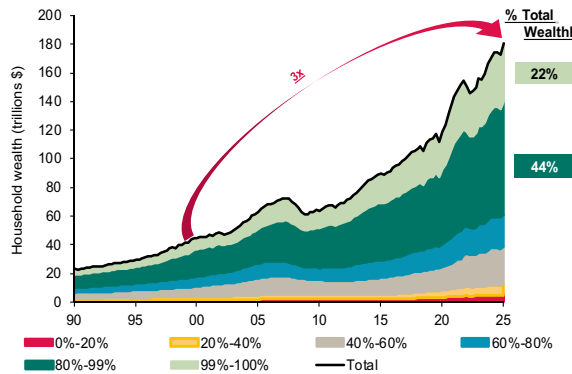


Despite slower job growth, increased wealth will support consumption.

The cooling labour market will be a brake, but we believe that private consumption will remain strong, largely due to the greater wealth accumulated by households and the fact that they have healthy balance sheets. In the United States, household debt to GDP has fallen to 68%, its lowest level since 2000, a similar trend across the euro area where debt to GDP has fallen to 51% (lowest level since 2003).

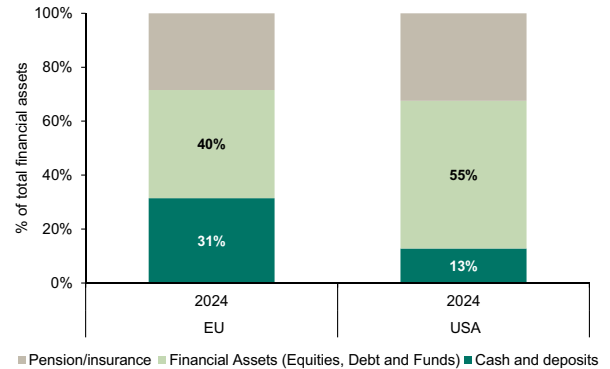
20. USA: HOUSEHOLD WEALTH HAS TRIPLED IN THE LAST QUARTER OF A CENTURY

Sources: Bloomberg, Fed Dallas and Banca March



21. DISTRIBUTION OF FINANCIAL WEALTH IN HOUSEHOLDS

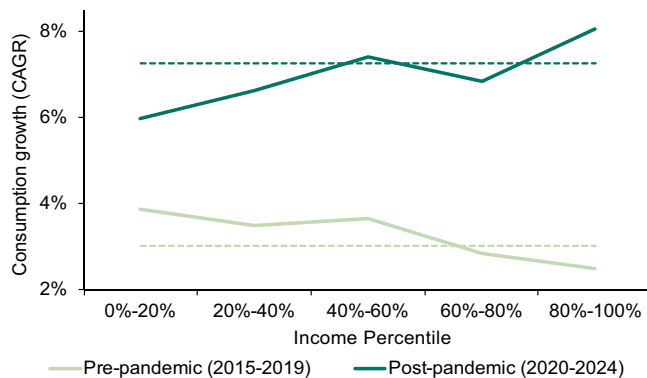
Sources: Bloomberg, Fed Dallas and Banca March



Rising house prices and strong financial market performance have increased households' net worth – since the turn of the century, the wealth accumulated by US households has tripled (graph 20). This positive wealth effect often acts as a driver of consumption, especially in the United States, where households have a higher proportion of their savings invested: on average in the EU, 30% of household savings are parked in cash and low-yield deposits, while in the United States, 55% of financial wealth is invested in the Capital market and only 13% of savings are held in liquidity, which amplifies this wealth effect for American households (graph 21).

22. CONSUMPTION IS GROWING, SUPPORTED BY HIGHER-INCOME HOUSEHOLDS (USA).

Sources: Bloomberg and Banca March



On the other hand, the greatest wealth has become highly concentrated, and currently, two-thirds of the total is in the hands of the 20% of households with the highest incomes, which are those that have had the capacity to save.

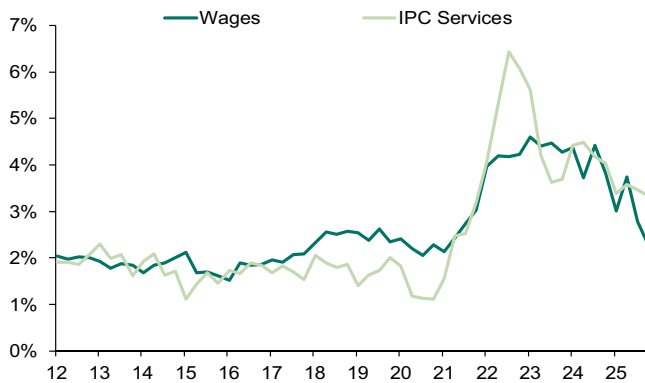
While this trend creates obvious frictions and vulnerabilities, at an aggregate level it will favour private consumption since this quintile of households with higher incomes alone accounts for 40% of total consumption.

The disinflation process will continue.

Over the past year, inflation has stabilised globally, a trend we believe will continue in the coming quarters. The decline in inflation can be explained, to a large extent, by the correction of the major supply shocks that occurred after the pandemic and also by a restrictive monetary policy that has managed to cool the economy without breaking it. Furthermore, energy has gone from being the main driver of inflation to a disinflationary anchor: specifically, last year Brent crude prices fell to an average level of \$68 (-14%). We do not anticipate further declines of this magnitude over the next 12 months, and therefore the new phase of inflation moderation must now come from service prices.

23. LOWER JOB CREATION, LOWER WAGE PRESSURES (US AND EUROZONE AVERAGE)

Sources: Bloomberg and Banca March



From our point of view, with weaker employment growth, wage growth will moderate and, as a result, prices for services – the largest component of the CPI – will continue to “normalise”.

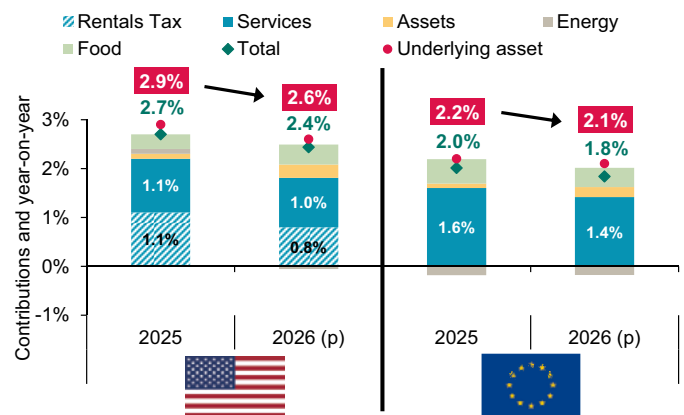
This trend is gaining momentum, as the chart shows, in the final part of last year wage growth on both sides of the Atlantic cooled on average and is now moving closer to +2.5% compared to the average of +4.2% recorded during the previous three years (between 2022-2024).

Looking ahead to 2026, we anticipate that inflation will remain somewhat higher in the United States than in the Eurozone, but in both cases, with a trend towards stabilisation at levels comfortable for monetary authorities.

Starting with the euro zone, the CPI ended last year converging towards the ECB’s target, settling at +2% year-on-year. Looking ahead to 2026, we believe that, with economic growth still modest, there are no internal pressures in the economy that would lead us to fear a rise in wages and, with it, a possible resurgence of inflation. External factors are also benign: the euro is stronger and the increased imports of goods from China will put downward pressure on import costs (both for consumer and intermediate goods).

24. INFLATION WILL BE CONTAINED (CPI FORECAST 2026)

Sources: Bloomberg and Banca March



Meanwhile, in the United States, the CPI will moderate by an additional three tenths in 2026 to an average of +2.4%, while the core rate will remain somewhat higher (+2.6%) and still above the Fed’s targets. The main difference compared to the Eurozone is that, due to the introduction of higher tariffs and a more intense acceleration of activity, the prices of goods will remain somewhat more strained on the other side of the Atlantic, where they will increase at a rate of +1.4% and account for three tenths of the CPI.

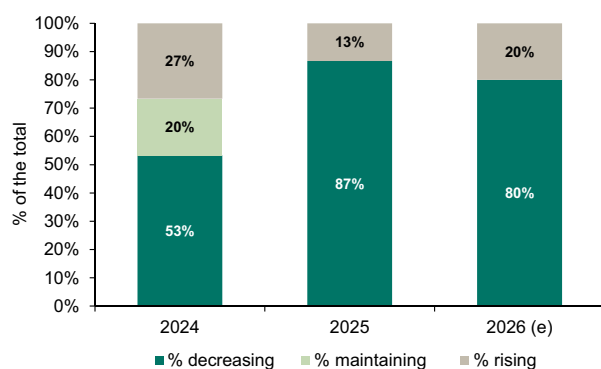
CENTRAL BANKS

Monetary policy will continue to support growth: although with less intensity, major economies will continue to cut the price of money throughout 2026.

After almost two years since the start of the global interest rate cutting cycle, monetary easing will continue to support growth in a soft landing context. However, the uncertainty stemming from recent trade tensions instigated by the Trump Administration, which uses tariffs as a bargaining chip, is forcing central banks to act with greater caution.

25. % OF CENTRAL BANKS CUTTING OFFICIAL RATES (G20)

Sources: Bloomberg and Banca March



The current cycle has now lasted 16 months without a contraction, compared to a historical average in which recessions usually appear 7 months after the first cut. Even the latest recorded episode – 15 months – has already been surpassed. All of this reinforces our view that the economy is heading towards a soft landing, very similar to that of 1995.

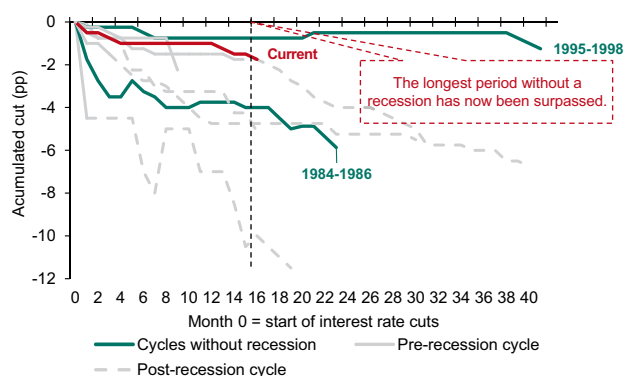
In conclusion, we believe that the bias remains accommodative, albeit less so, in line with inflation closer to target and growth slightly below the historical average.

We expect most G20 monetary authorities to continue maintaining less restrictive monetary policies throughout this year, although at a more moderate pace than last year – around 80% will cut interest rates in 2026, down from 87% in 2025.

In the specific case of the United States, the Federal Reserve’s slower pace of rate cuts — as well as the nine-month pause — confirms the strength of a resilient economic cycle, moving away from the historical pattern that associates rate cuts with recessions.

26. FED INTEREST RATES: CUTS AFTER REACHING THEIR PEAK AND RECESSIONS(*)

Sources: Bloomberg and Banca March

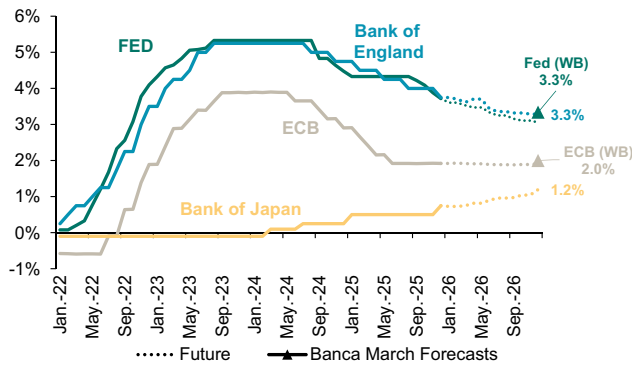


(*) The grey lines reflect the cuts in those cycles in which a recession occurred, and become dotted when the recession occurs.

We continue to anticipate two additional cuts by the Fed, while the ECB will not change the price of money.

27. OFFICIAL INTEREST RATE FORECAST

Sources: Bloomberg and Banca March



Given all of the above, we expect the Federal Reserve to cut official rates twice during 2026, bringing them down to levels of 3.0% - 3.25%, with these moves not occurring until well into the year. Meanwhile, the ECB will keep rates unchanged.

In the United States, the Fed will need to reconsider the risks of its dual mandate. On the one hand, the labour market continues to show signs of weakness, although with indications of resilience in key sectors and a contained unemployment rate. In turn, inflation – +2.7% year-on-year in December – remains above the monetary authority’s target, in a context of resurgent trade tensions with Europe, which could add pressure on prices and affect the timetable for cuts.

The ECB, on the other hand, operates from a more comfortable position: Inflation is advancing at a rate of +1.9% year-on-year – in line with its target – and real interest rates are now close to 0%. Furthermore, a slight economic recovery is expected in the region, which reduces the urgency of further adjustments and supports our view that the authority chaired by Christine Lagarde will not make any moves this year.

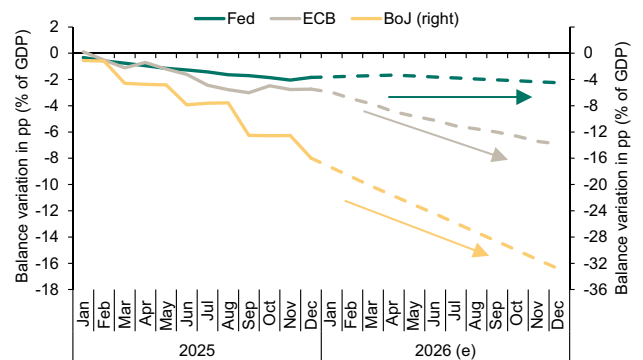
Balance sheets: the Fed will maintain a virtually neutral policy in 2026, while other central banks will continue to withdraw liquidity from the system.

While the Fed will maintain a virtually neutral balance sheet policy in 2026—slightly expansionary during the first quarter—the rest of the monetary authorities will continue to withdraw liquidity from the system.

After more than three and a half years, the Fed has decided to end its quantitative tightening (QT) programme, which has reduced total assets from 36% of GDP to 22%. Given the persistence of tensions in the money market and reserves at around 9% of GDP (vs. 12.5% at the start of QT), the US institution has launched an asset repurchase programme called *Reserve Management Purchase (RMP)* focused on the acquisition of Treasury bills – although it could eventually include bonds with maturities of up to three years. The aim is to stabilise reserve levels and smooth out episodes of friction in the money market, such as those observed in the last quarter of last year.

28. FED VS. ECB VS. BOJ: VAR. BALANCE (% OF GDP)

Sources: Bloomberg and Banca March



This programme, which began in mid-December with the goal of buying around \$40 billion in Treasury bills that month, will be relevant at least until April, at which point it should naturally decrease. Furthermore, it is confirmed that the maturities of mortgage bonds (MBS) will also be reinvested in short-term sovereign instruments. As a result, we estimate that the entity’s balance sheet will end the year slightly above 21% of GDP, levels still higher than the 19% prior to the pandemic.

On the other hand, the ECB will continue to withdraw money from the economy during 2026. According to our calculations, the European institution will divest itself of assets totaling €502 billion this year, bringing the balance sheet down from 39% of GDP to 34.8%, already below the pre-pandemic level of 38.5%. Unlike the Fed, the ECB's priority will remain normalising the size of its balance sheet, consolidating a more restrictive stance in this regard.

Kevin Warsh: Trump's proposed candidate to succeed Powell.

After countless twists and turns, Trump has chosen Warsh, a former member of the Board of Governors between 2006 and 2011, to replace Powell. The announcement has come with a similar advance notice to previous processes – 4 months before vs. the average of 3 months – so the nomination has ultimately followed a fairly standard pattern in this respect.

The candidate stands out for being an institutionalist — a renowned economist with a good relationship with Bernanke — although he has also been critical of some recent Fed decisions and more aligned with the idea of keeping rates lower. However, during his time at the institution, he was particularly opposed to balance sheet expansion programmes, was part of the group that advocated *withdrawing quantitative easing* (QE) more quickly, and maintained a vigilant focus on inflation.

It will be relevant to observe the replacement process, given that Stephen Miran's term has, theoretically, just ended. Even so, Miran himself has indicated that he will remain in his position until his replacement arrives, something that is legally possible. This opens up two scenarios: first, that Miran remains until May, coinciding with the end of Powell's term, and on that date a double appointment for Warsh takes place (as governor and president); or second, that Warsh immediately replace Miran as a member of the committee and subsequently assumes the chairmanship. This last alternative seems more logical, as it would allow the future president to gain room to build trust and forge alliances in a committee that, at its last meeting, showed remarkable cohesion around keeping rates unchanged.

On the other hand, the question remains open as to what Powell will do once his term as president ends. To date, there has only been one precedent in which, after completing their term, a Fed chairman remained at the institution: Marriner Eccles, who continued for three more years at the request of President Truman. In the current scenario, Powell's early departure – his term as governor ends in January 2028 – would create a vacancy that could be used to bring in another Trump-friendly figure.

At the legislative level, Warsh's nomination will have to pass through the *Committee on Banking, Housing, and Urban Affairs* and then the Senate, both of which have Republican majorities. However, Republican Senator Thom Tillis has already stated his intention to block any nomination until the Justice Department's investigation into Powell is concluded. Without his support, it is difficult for a candidate to pass the first filter necessary to be put to a vote in the plenary session.

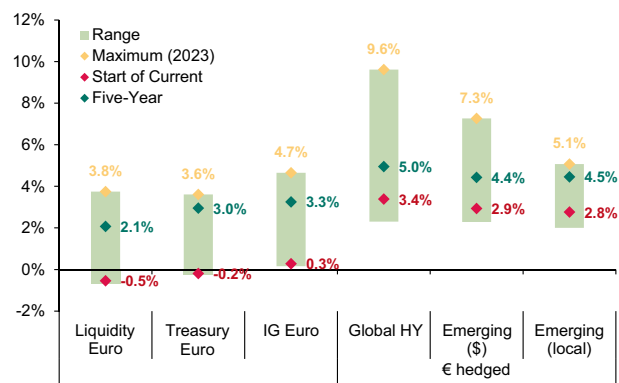
FIXED INCOME

Bonds are leaving their golden years behind and starting the five-year period with interest rates normalising. We are reducing our exposure to fixed income and remain neutral on the asset class, with a preference for high-quality corporate credit.

With nearly 90% of major central banks cutting interest rates in 2025, the margin that bonds offer to beat inflation has been narrowing and moving further and further away from the levels seen in 2023. If we add to this the fiscal stimulus coming from the United States, Germany, or Japan, along with credit spreads at historically low levels, the risk-return trade-off offered by fixed income is less attractive to us than in the past.

29. IRR EVOLUTION OVER THE FIVE-YEAR PERIOD AND CURRENT

Sources: Bloomberg and Banca March



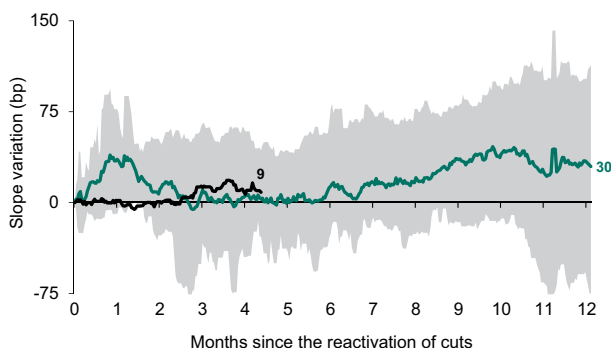
In light of this, we have decided to reduce our exposure to this asset to neutral levels after almost three years of overweighting. By segment, we continue to prioritise high-quality credit, both in the United States and in Europe. Regarding sovereign debt, we remain cautious in light of less balanced public accounts and the inflationary risk should Trump decide to resume his tariff battle or exert more pressure on the new Fed chairman to cut rates. Finally, we reiterate our position that liquidity will not be sufficient to generate positive real returns and preserve purchasing power.

Pressures on fiscal deficits will continue to gain momentum in 2026, making duration less attractive.

Pending approval of this year’s federal budget, all indications are that the US fiscal deficit will continue to grow, reaching levels close to 8% of GDP, equivalent to about \$2.6 trillion. Put into perspective, the imbalance in US public accounts for this year would exceed the GDP of economies such as Canada (\$2.3 trillion) or Italy (\$2.5 trillion).

30. USA: CHANGE IN SLOPE AFTER SECOND DECREASE(*)

Sources: Bloomberg and Banca March



(*) Reactivation of interest rate cuts: once the cuts have begun, they are halted for at least five months or if there is an increase followed by a further reduction in the short term.

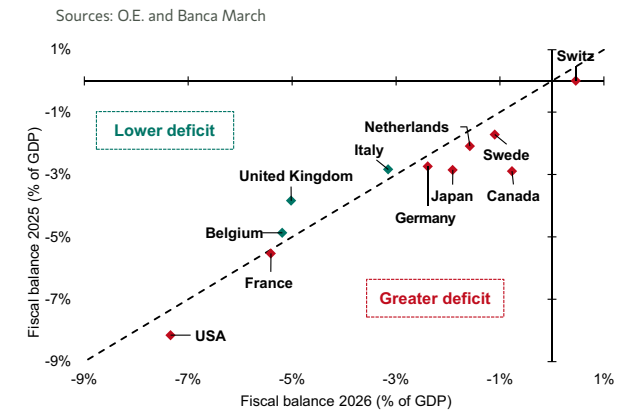
This movement is either because the recession has already begun and markets are starting to price in a quick recovery, or because the economy is heading towards a soft landing, as happened in 1985 and 1998. On average, one year after the resumption of cuts, the slope increases by +30 bps, well above the current +9 bps, which offers room for a further increase in long-term rates.

Even in a context of official rate cuts, we believe that the term premium – the additional compensation demanded by investors for assuming the risk of interest rate fluctuations over the life of the bond – will gain prominence.

In the case of the United States, in addition to the aforementioned fiscal deterioration, history shows that when the monetary authority resumes interest rate cuts after a pause (as happened in September 2025), the slope of the curve (the difference between the yield on 10-year and 2-year bonds) tends to widen.

That said, the deterioration of public finances is not unique to the United States, as other major economies such as Germany and Japan will also join the wave of stimulus measures. On the German side, the Treasury has recently announced its intention to issue €512 billion in debt in 2026 (62% in bonds), which represents a 20% increase in issuances compared to 2025. As for Japan, Prime Minister Sanae Takaichi has presented a record budget of ¥122.3 billion (US\$785 billion), 6% higher than the corresponding budget for 2025.

31. G-10: FISCAL BALANCE 2025 VS. 2026

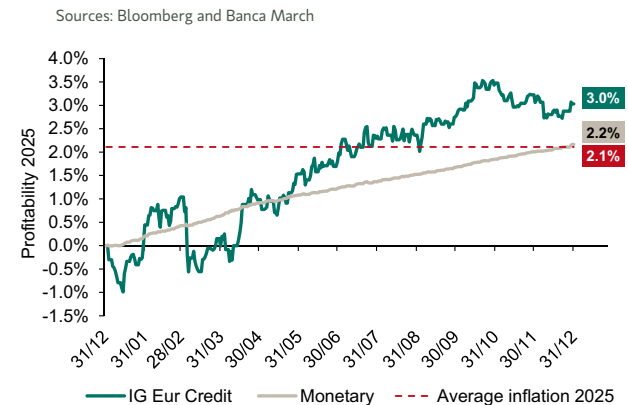


Credit remains the best option in Fixed Income, although with increasingly limited potential. We maintain our preference for the higher quality segment.

Corporate debt will remain one of the most consistent options for beating both inflation and deposit yields, with contained volatility thanks to its higher carry and structurally lower leverage levels than in the past.

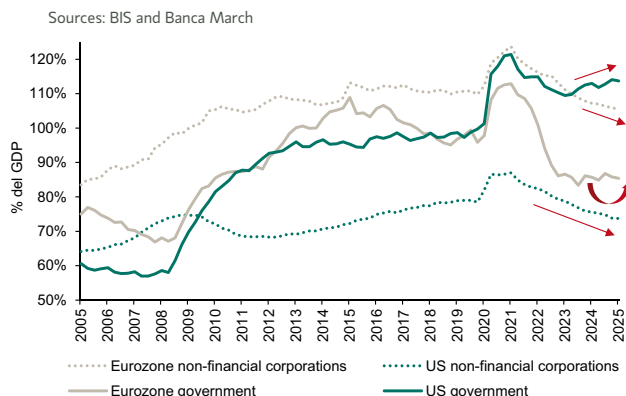
However, after a good 2025 in which high-quality European credit (IG) generated a return of +3%, while deposit rates barely managed to exceed inflation, we believe that the most attractive period is now behind us. Looking ahead to this year, we anticipate a return of +2.7% for the highest quality European segment, above sovereign (+2.3%) and liquidity (+1.9%).

32. PROFITABILITY 2025 BY SEGMENT



On the more positive side, private sector leverage will maintain its downward trend, while governments will move in the opposite direction on both sides of the Atlantic.

33. DEBT AS A % OF GDP BY SECTOR



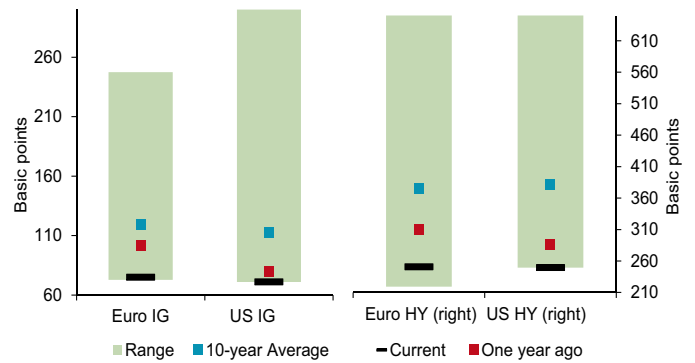
Corporate fundamentals remain strong. The coverage ratio (EBITDA/interest expense) stands at 9.2x for European IG debt compared to 6.5x for US debt, slightly below the average of recent years. In the lowest quality segment (HY), this ratio stands at 4.9x in Europe and 2.7x in the United States. The same pattern is observed in leverage (net debt/EBITDA), with IG around 2.5x and HY at 3.6x, both in line with their historical average.

That said, valuations – measured by credit spreads – are at very tight levels, which limits the potential for profitability.

In the case of the US IG, spreads compressed by -8 bps over the past year, down to the current all-time low of 71 bps. Meanwhile, the euro IG narrowed by -21 bps to 75 basis points, levels not seen since 2018, which almost completely eliminates the relative attractiveness of European credit compared to its North American equivalent. In the HY segment, the situation is quite similar, so considering that the situation is not as clear as in previous years, the spreads do not compensate for the current uncertainty.

34. CREDIT: SPREADS BY SEGMENT

Sources: Bloomberg and Banca March



In conclusion, we maintain our preference for high-quality debt, supported by its carry and durations focused on the middle of the curve. However, we believe that other segments such as hybrid financial debt and emerging market debt can provide additional sources of return.

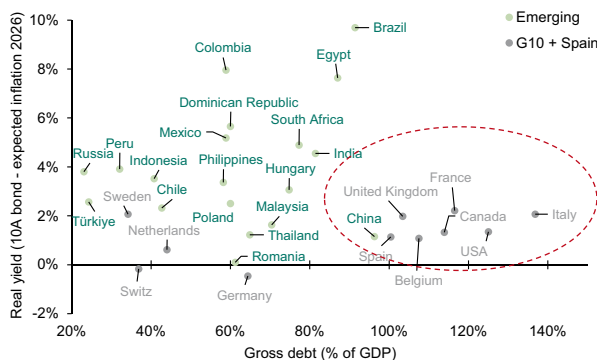
In a context of narrow spreads, we see value in other segments such as hybrid financial debt and emerging market debt.

In the higher-risk arena, we see a more attractive risk/return profile in European corporate bonds, which offer comparable yields to maturity to high yield bonds, but with greater stability and better credit quality. This position is underpinned by the strength of the European banking system, whose CET1 ratio – a key indicator of solvency – has risen to 16.3% from 15% three years ago. At the same time, the NPL rate has stabilised at around 1.6% since mid-2022, well below the historical average of 2.8%.

On the other hand, we continue to see opportunities in emerging market debt, which closed last year with outstanding performance. The aggregate hard currency index (with currency hedge) registered an advance of close to +9%, supported by the weakness of the dollar and by greater fiscal discipline compared to that of developed countries. Currently, gross debt is around 69% of GDP in emerging markets compared to 110% in advanced economies.

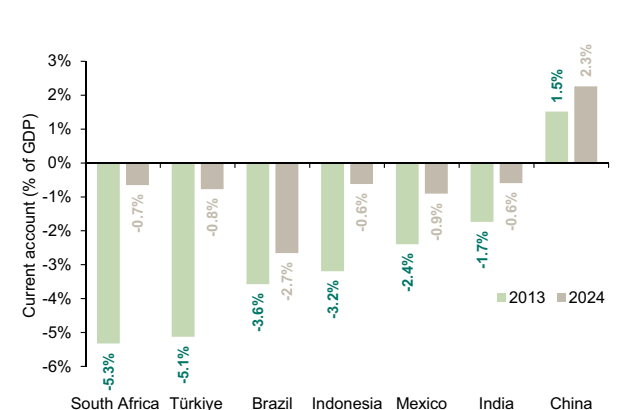
35. EMERGING MARKETS LOCAL CURRENCY VS. DEVELOPED: GROSS DEBT AS A % OF GDP

Sources: Bloomberg, IMF and Banca March



36. EMERGING: CURRENT ACCOUNT AS A % OF GDP

Sources: Bloomberg, IMF and Banca March



As for emerging market debt in local currency, it combines attractive real returns to maturity with a lower level of leverage compared to developed markets. Added to this is the improvement in current account balances, which reduces dependence on external financing and limits the vulnerability of these markets to episodes of exchange rate stress.

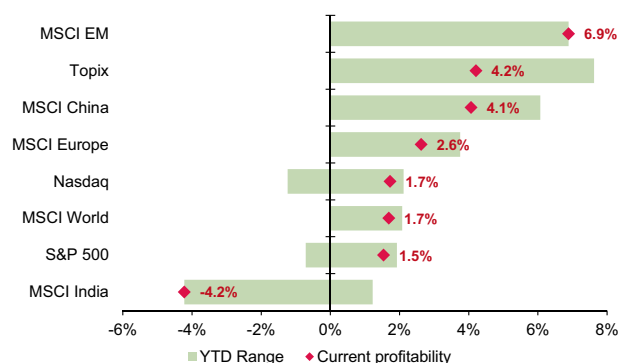
Looking ahead, we would consider increasing our exposure to this segment if the dollar strengthens beforehand. In other words, this asset tends to perform better during periods of dollar weakness, so we prefer to wait for a more favourable entry point.

EQUITIES

Stock markets start the year on a positive note, despite geopolitical turmoil, led by emerging markets and Japan.

37. YTD TREND IN MARKET INDICES

Sources: Bloomberg and Banca March



Global equities have started the year on a positive note, buoyed by the extension of the economic cycle, which includes a scenario of stable or falling interest rates, rising corporate profits and still abundant liquidity in the system. The stock market gains also come despite the turbulent start to the year geopolitically – Venezuela, Greenland, Iran – and without a Russia-Ukraine agreement having materialised, whose invasion is entering its fourth year.

At the start of 2026, gains are dominated by the materials (+11%), defence (+9.6%) and energy (+7.2%) sectors, in contrast to the negative start for financials (-0.5%) and technology (+0.9%), with the latter awaiting the publication of results from the sector’s “big players”. Geographically, emerging markets (excluding India) and Japan are leading the gains, with Japan benefiting from the arrival of Prime Minister Sanae Takaichi and her fiscal stimulus plans. The US and Europe start the year on a positive note, with indices at or near historic highs, notably the S&P 500 reaching 7,000 points.

The stock market cycle is not mature and still has potential.

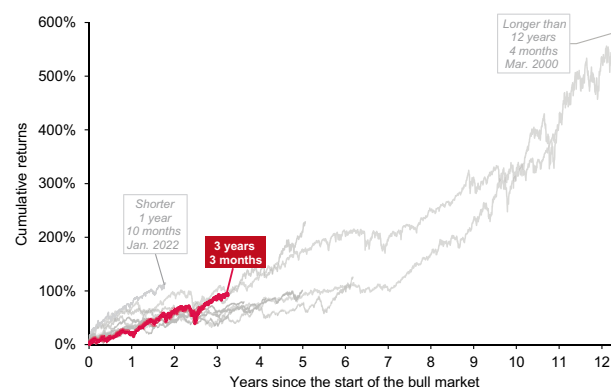
This is the sixth-largest stock market cycle in terms of returns among the last eleven recorded since 1949.

So far, both its intensity (+98%) and its duration (3 years and 3 months) are within normal parameters.

Therefore, although the perception may persist that the stock market has risen disproportionately in recent months, historical figures do not corroborate this, and we believe it is too early to talk about the end of the cycle.

38. S&P 500: PROFITABILITY AND CYCLE DURATION

Sources: Bloomberg and Banca March



The economic environment we are entering has historically proven to be favourable for stock markets. Although we anticipate a volatile year, against a backdrop of renewed geopolitical and trade tensions, the cycle will remain supported by the resilience of the economy.

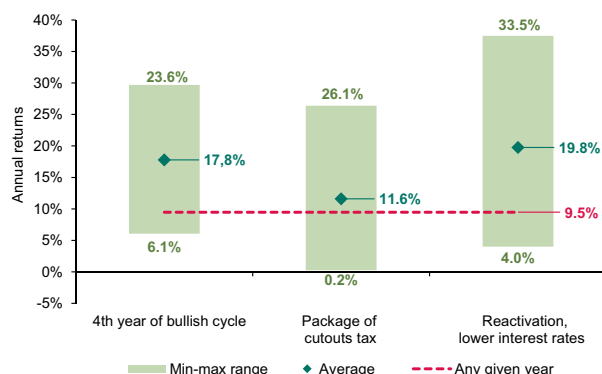
We are entering an economic environment that, in light of history, tends to be favourable and offers above-average returns.

The chart shows how the S&P 500 has historically performed when certain characteristics currently present occur, such as the fourth year of a bull market, fiscal stimulus and a soft landing for the economy when interest rate cuts are implemented slowly and steadily.

The historical average return in a fourth year of a bull cycle is usually almost 6 percentage points higher than that of a typical year, which is +9.5%.

39. S&P 500 EVOLUTION AFTER THREE EVENTS(*)

Sources: Bloomberg and Banca March



(*) Tax cut package: it includes tax reforms in non-recessionary periods: 1978, 2003, 2010, 2012, 2017.

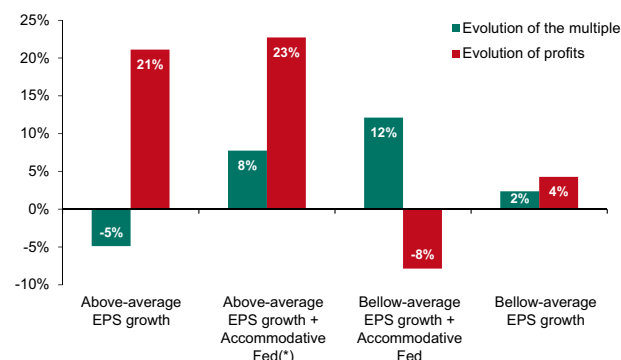
On the other hand, tax cut packages, such as the one recently approved in the OBBA (*One Big Beautiful Bill*), have historically generated above-average long-term stock market performance, with Obama’s 2013 package being a prime example, driving gains of +26%.

Monetary policy is also aligned with these factors: In scenarios such as the current one, characterised by a rise in interest rates and the absence of recession, stock markets have historically doubled their average returns.

Historically, scenarios with an accommodative Federal Reserve and corporate profit growth above average have tended to drive expansions in multiples. On the other hand, current valuations, although high, are less demanding when adjusted for margins. Even so, our forecasts remain positive, even considering a possible contraction of multiples.

40. MULTIPLE EVOLUTION AND PROFITS ACCORDING TO MONETARY POLICY REGIME AND EPS GROWTH(*)

Sources: Refinitiv and Banca March



(*) Accommodative Fed: years in which there have been two or more interest rate cuts.

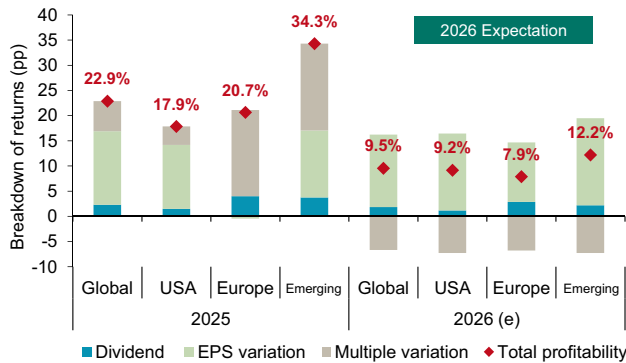
We anticipate that 2026 will be marked by two key factors: an accommodative monetary policy by the Federal Reserve and corporate growth of +15%, well above the historical average of +8.3%. When both elements have been combined in the past, the stock market multiple—that is, the amount of profit investors are willing to pay to acquire the index—tends to increase in 75% of cases. Furthermore, none of these years has had a negative performance.

Beyond the evolution of the multiples, it is true that current levels are high. However, there is a fundamental reason behind it: the margins have kept pace with these advances. If we adjust the P/E ratio taking this factor into account, current valuations could be considered reasonable.

However, in our forecasts of expected profitability for 2026, which we estimate to be between +9% and +10% for the global stock market, we incorporate a margin of safety and assume a decline in these multiples, leaving this year’s return entirely dependent on the evolution of earnings.

41. BREAKDOWN OF EXPECTED PROFITABILITY 2026

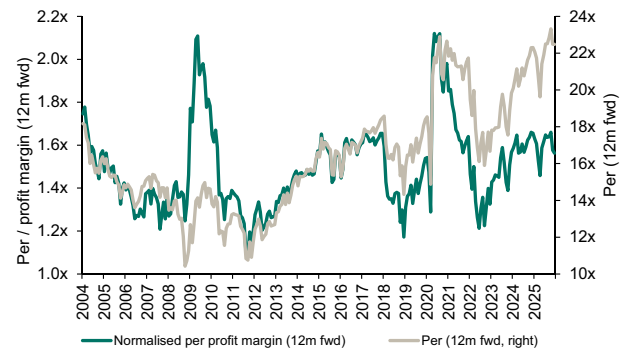
Sources: Refinitiv and Banca March



(*) Estimated returns calculated on the MSCI AC World, S&P 500, Stoxx 600 and MSCI EM indices.

42. S&P 500: VALUATION ADJUSTED FOR PROFIT MARGIN

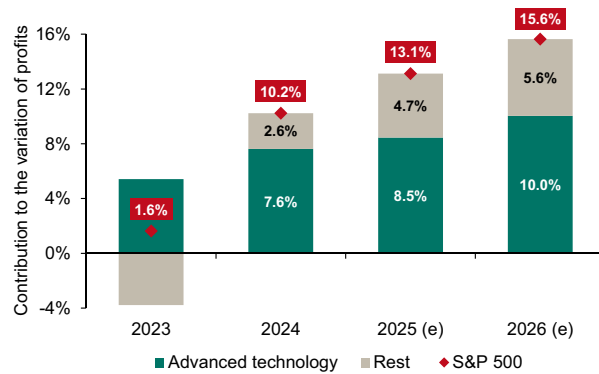
Sources: Refinitiv and Banca March



As for profits, we continue to see an increase in participation, although technology will remain the main driver of growth this year.

43. S&P 500: CONTRIBUTION TO PROFITS VARIATION(*)

Sources: Refinitiv and Banca March



(*) Big Tech = Technology, communication services and discretionary consumption.

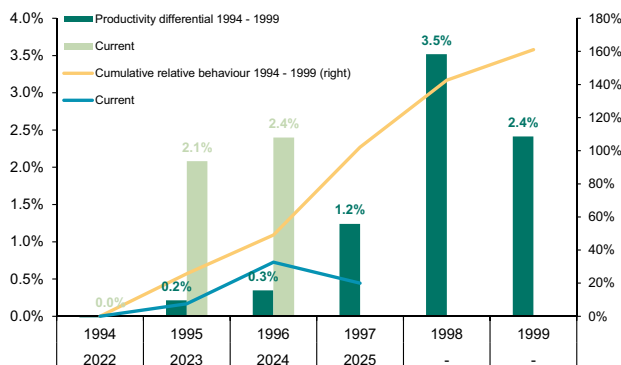
In 2026, the distribution of gains will be more even than in the past, with 90% of S&P 500 companies posting rising profits, compared to an average of 60% over the last four years. Likewise, companies outside of “big tech” – a label for the main sectors where profit growth is driven by technological innovation – will contribute a third of growth this year, also being their biggest contribution in four years.

We believe that more widespread progress will reduce dependence on tech securities, although their contribution will remain relevant to achieving the high growth rates estimated for this year.

At a regional level, we maintain our preference for the United States over other developed markets. The increased productivity of the economy should be reflected in superior stock market performance. Furthermore, multiples have remained stable thanks to solid profit expansion.

4.4. IMPROVED PRODUCTIVITY WILL BE REFLECTED IN THE BEST PERFORMANCE OF US STOCK MARKETS

Sources: OECD, S&P Global, MSCI and Banca March



(*) Productivity differential US less average Germany, France and Japan / Relative performance S&P 500 vs. MSCI World ex USA. Productivity is measured as the increase in GDP per employed person.

The relative improvement in US productivity, which in 2024 recorded a growth differential of +2.4%, should continue to be reflected in equities, replicating the pattern observed in the second half of the 1990s, when a similar process took place.

Furthermore, although the ratings in the US remain high, they have remained stable compared to the previous year. The 2025 return on North American stock markets has been explained almost entirely by increased profits, unlike other regions—such as Europe—where multiple expansion was the main driver of returns, even as profit estimates for 2025 were revised downwards, with growth ultimately proving to be zero.

Likewise, smaller-cap companies in the United States will benefit from a broader distribution of increased profits, as well as from economic improvement and lower official interest rates. All of this is accompanied by attractive valuations.

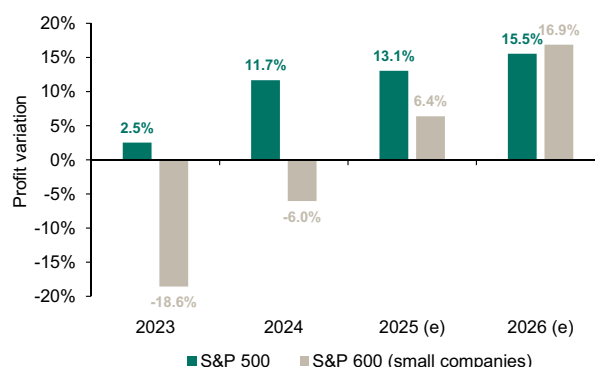
With the worst phase of the tariff war now behind us, small US companies have started the year on a positive note, achieving a revaluation of close to +6%. The segment faces the coming months with several tailwinds.

The main support will come from earnings growth, which will reach +16.9% year-on-year, above the +15.5% estimated for the S&P 500. If this growth materialises, it will be the first time since 2021 that smaller-cap companies will grow faster than large-cap companies. Furthermore, their valuations remain attractive: the small caps are trading at a record discount compared to large companies, exceeding 25%, whereas historically they usually trade at a premium of around 4%.

Lower financing costs provide additional support, with 40% of the segment's debt at a variable rate, compared to 10% for large companies.

4.5. LARGE VS. SMALL COMPANIES: PROFIT VARIATION

Sources: Bloomberg and Banca March



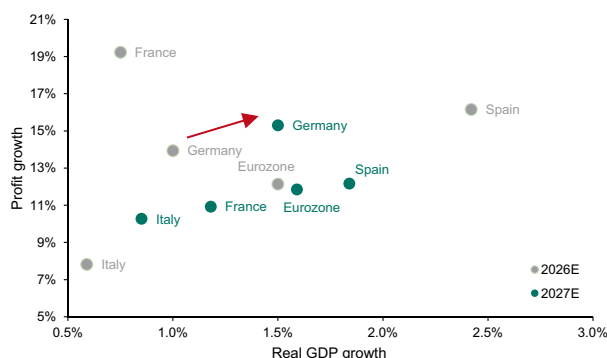
(*) S&P 600: 600 smaller companies in the S&P 1500.

Overall, we reaffirm our commitment to small companies and believe that current valuations do not fully reflect the recovery in profits or the favourable environment expected for this year.

Within Europe, we continue to believe that both Germany's economy and stock markets will stand out, driven by the historic fiscal stimulus package approved last year and by earnings expectations that remain subdued, despite improved GDP growth.

46. GDP GROWTH IS NOT YET REFLECTED IN PROFITS

Sources: Refinitiv, Bloomberg, Oxford Economics and Banca March



The impact on growth will be felt in 2026, but will be even more significant in 2027. However, when analysing the expected evolution of corporate profits, we observe a certain decoupling between GDP growth and corporate results. Germany will register its highest growth since 2022 in 2027, doubling the estimated growth for this year. However, the increase in profits for German companies will barely rise by one percentage point that same year.

At the same time, the deployment in defence will be very significant, with planned contracts for Rheinmetall worth 32 billion euros directly and 56 billion euros indirectly. Nevertheless, we believe that the contribution to the profits of the sectors favoured by the German government's investment priorities is smaller than expected, and therefore could be revised upwards in the coming months, especially with a view to 2027.

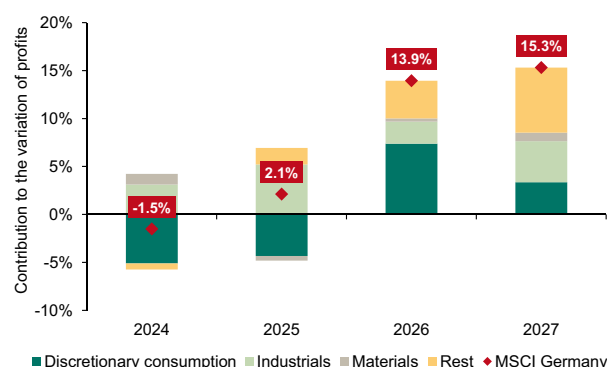
This mismatch between macro and micro trends creates an attractive opportunity to increase exposure to the German market, which also maintains earnings multiple valuations in line with those of the Eurostoxx 50 (DAX 14.6x and MSCI Europe 15.1x), even with slightly higher projected growth than the European index.

Both the DAX and the MDAX —which groups smaller companies with a more domestic profile— have been able to register advances of up to +3%, although the recent setbacks have penalised SAP, which, due to its high weight, drags the DAX into negative territory.

From our perspective, corporate fundamentals in Germany should gradually improve throughout the year as unprecedented fiscal stimulus measures are implemented.

47. CONTRIBUTION OF PROFITS FROM SECTORS MOST BENEFITED BY THE STIMULUS

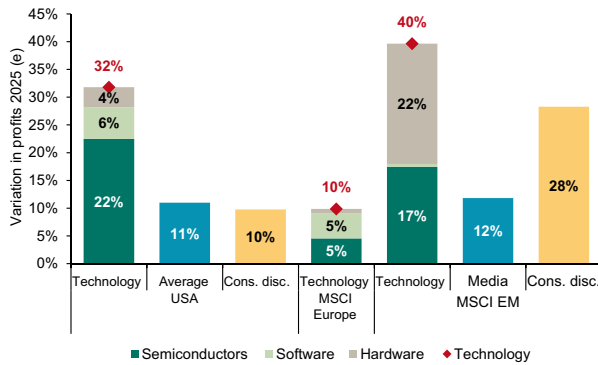
Sources: Bloomberg and Banca March



The technology sector will continue to be driven primarily by the deployment of artificial intelligence, with profit growth projections as ambitious as last year's. Furthermore, the recent volatility has generated attractive valuation levels.

48. PROFIT OUTLOOK BY SEGMENT

Sources: Refinitiv and Banca March



With the publication of results from several major technology companies, doubts about the deployment of artificial intelligence are increasing, although the fundamentals remain solid.

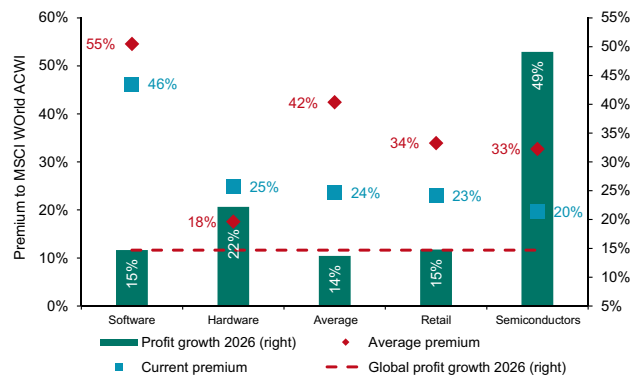
The results from Microsoft and Meta bring greater visibility to the deployment of AI, as both plan to increase their investment plans. Meanwhile, Microsoft continues to point to the shortage of computing power.

These signs support the sector's high earnings growth forecasts, which reach +32%, with semiconductors as the main driver — contributing approximately two-thirds of the growth in the United States — while in Europe the contributions are more diversified. Expectations are also high in emerging markets, where Chinese technology companies play a decisive role, alongside key Asian companies in the semiconductor chain, such as Taiwan's TSMC and South Korea's Samsung Electronics and SK Hynix.

On the other hand, uncertainties about the future profitability of investments in artificial intelligence have meant that, despite solid results, the sector has not advanced at the same pace as profit estimates. This places the various technology subsectors at their lowest relative valuation levels since August 2020. Likewise, the six largest technology companies currently show the lowest premium against the S&P 500 in the last decade, except for the weeks of *Liberation Day*.

49. BELOW-AVERAGE VALUATION PREMIUMS

Sources: Refinitiv and Banca March

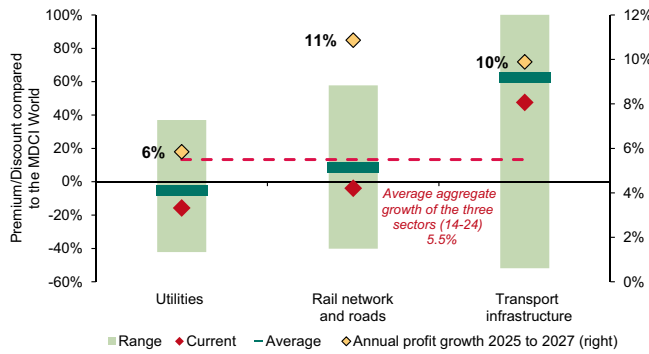


In short, the huge investment linked to the deployment of artificial intelligence will continue to be the main catalyst for growth in the sector, which could see its second consecutive year of profit increases of over +30%.

The sustained increase in demand for electricity, together with the need to develop new infrastructure to support the advancement of artificial intelligence, will act as a catalyst for growth in listed infrastructure.

50. PER12(E) AND INFRASTRUCTURE GROWTH

Sources: Refinitiv and Banca March



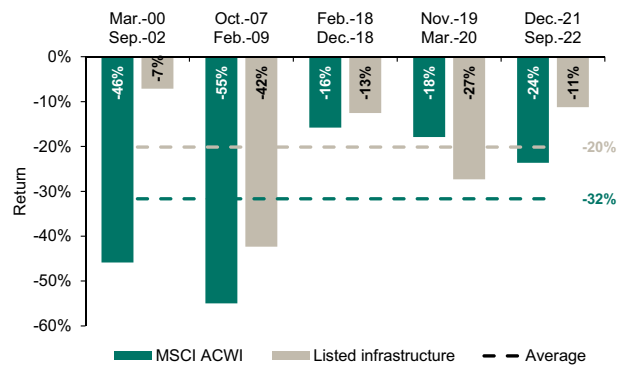
Every technological revolution, in addition to accelerating growth, causes disruptions in other sectors. One of the main beneficiaries of the growing structural demand for energy is the infrastructure segment. Within this context, power generation facilities are the ones that receive the most direct impact, although the expansion of data centres also requires new connections and energy transport networks.

This is a defensive segment, whose projected profit growth for the coming years is slightly above that recorded in the last decade, and which will probably be revised upwards as the new demand derived from these developments consolidates. It can also act as a protective element in episodes of volatility, as it has historically shown relatively superior performance during periods of sharp declines in indices.

Therefore, we identified an interesting combination between its defensive component, the potential for additional growth associated with the rise of AI, and attractive valuation levels.

51. MSCI ACWI VS. LISTED INFRASTRUCTURE(*) IN DECLINES FROM HIGHS ABOVE -15%.

Sources: Refinitiv and Banca March



(*) Listed infrastructure: 60% MSCI ACWI Utilities + 30% MSCI ACWI Transportation + 20% Alerian MLP Index.

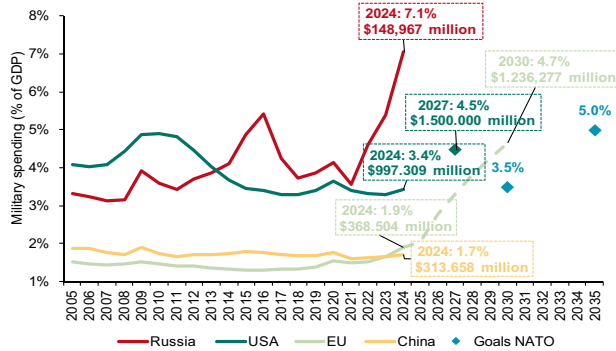
The defence sector: from discretionary spending to strategic necessity.

Beyond the invasion of Ukraine, now entering its fourth year, the recent dispute over Greenland and the Arctic highlights the risk of European geopolitical isolation, driving the need for the Old Continent to become self-sufficient in defence matters.

To achieve this, the EU is rolling out the SAFE (Sovereignty and Autonomy of European Forces) programmes, which provide up to €150 billion in joint purchases, and ReArm (Resilience and Armament), a crash plan with €800 billion over five years to facilitate mutual investment, modernise armies and boost local production.

52. REARM EUROPE WILL ALLOW NATO'S OBJECTIVES TO BE ANTICIPATED

Sources: World Bank, SIPRI, European Commission, Refinitiv and Banca March



Both frameworks incentivise local industry: currently, 50% of contracts remain in Europe, but the strategic objective of the European Defence Industry Programme (EDIP) is to reach 70% to reduce external dependence. To facilitate this massive rearmament without stifling national economies, the European Commission has activated a fiscal escape clause. This measure allows Member States to exclude the increase in military spending from the calculation of the public deficit, providing the necessary financial breathing room to implement these programmes.

Adding to this internal pressure is the stance of Donald Trump, who at the beginning of 2026 announced a drastic increase in the US defence budget up to \$1.5 trillion for fiscal year 2027, equivalent to 5% of GDP and +66% vs. the \$900 billion budget approved by Congress in 2026. Meanwhile, Trump is demanding total financial autonomy from Europe, accelerating the breakup of the transatlantic security umbrella.

The fundamentals justify the extended valuations

From an investment perspective, and although the sector has extended valuations after years of increases, the fundamentals for 2026 justify the optimism.

Companies maintain historic order books that guarantee revenue visibility for decades, backed by government spending pledges that now enjoy fiscal protection from the deficit. Specifically, the aforementioned commitment to increase contracts with a European seal to 70% ensures a captive market share for the continent's industrial leaders.

53. THE GREATEST GROWTH IS REFLECTED IN THE VALUATIONS

Sources: Refinitiv and Banca March



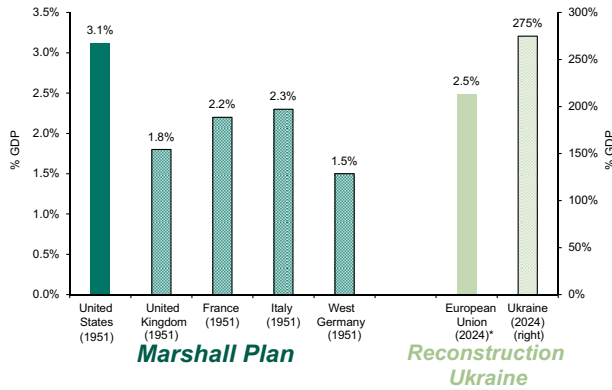
In short, we believe that the magnitude of these contracts and the strategic urgency of defensive sovereignty will prevail over traditional valuation metrics, currently around 30x earnings, consolidating the sector as a resilient structural asset.

Ukraine and its possible peace agreement: new investment opportunities.

The end of the conflict in Ukraine, currently in a phase of intense and direct negotiation, would generate new reconstruction needs for the country, which the EU estimates will require a budget allocation of 2.5% of GDP, an investment effort lower than that of the American Marshall Plan, which deployed aid amounting to 3.1% of GDP. The focus of the reconstruction will be on the physical side (infrastructure and housing), which will mainly benefit sectors and companies linked to raw materials, construction, and finance with ties to Eastern Europe.

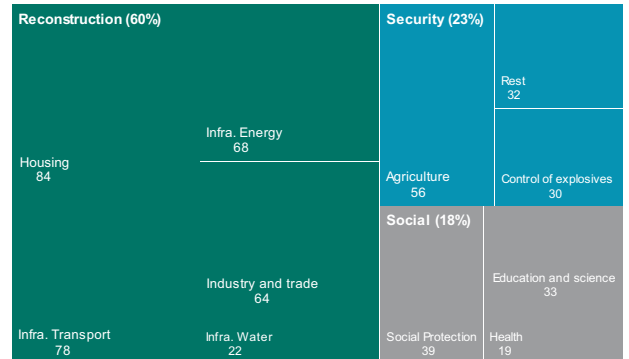
54. PLAN MARSHALL VS. UKRAINE RECONSTRUCTION NEEDS

Sources: Bloomberg and Banca March



55. RECONSTRUCTION FOCUSED PRIMARILY ON INFRASTRUCTURE

Sources: Bloomberg and Banca March



(*) Marshall Plan: Crafts, Nicholas (2011). The Marshall Plan : a reality check. Coventry: Department of Economics, University of Warwick. (CAGE Online Working Paper Series, number 49) / Reconstruction of Ukraine: World Bank: Rapid Damage and Needs Assessment 4.

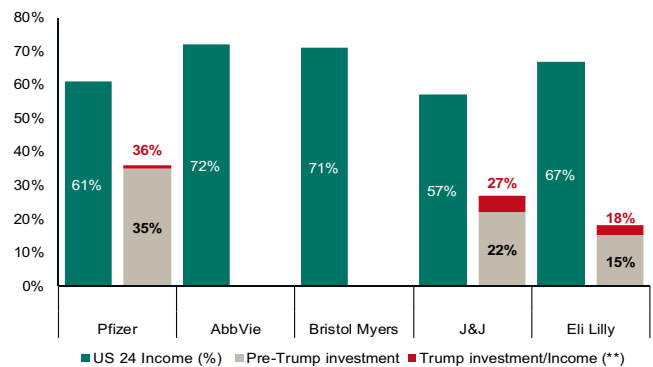
Health sector: more restrained regulatory risk.

The perception of regulatory risk in the health sector has changed significantly in recent months, thanks to the US-EU trade agreement and the strategic pacts reached between the US Administration and major pharmaceutical companies.

These arrangements, based on a model of voluntary collaboration rather than punitive impositions, have enabled companies such as Pfizer, Eli Lilly and Novo Nordisk to reduce the price of certain drugs by up to 85% – agreements on GLP-1 obesity drugs and anticoagulants – in exchange for relief from tariff pressures and incentives to repatriate production to US soil, with a limited negative impact on their bottom lines.

56. TRUMP TIGHTENS THE SCREWS, BUT DOESN'T STRANGLE(*)

Sources: Bloomberg, companies, White House, Refinitiv and Banca March



(*) Annual investments in the U.S. announced compared to revenue figures.

(**) "Trump" investment/income: in the case of AbbVie and Bristol Myers, they represent 25% and 23% respectively.

The agreements are also achieved with reasonable levels of additional investor commitment in the US, if we consider the revenue generated by large US pharmaceutical companies in their domestic market and the increase in investment announced to date (graph 56), a result of pressure from Trump.

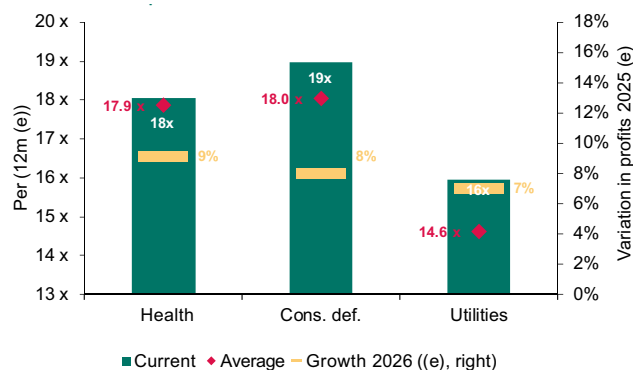
We maintain the overweighting in health: positive growth, reasonable valuation.

After a generally challenging year for the sector in 2025, caused in part by the aforementioned regulatory aspects, we believe that favourable factors will ultimately prevail.

To begin with, growth estimates for 2026 remain favourable and close to double digits. Meanwhile, the sector's discount relative to the rest of the S&P 500, measured in terms of P/E ratio, is very attractive with a current sector valuation of 18x, in line with its historical average.

57. HEALTH VS. DEFENSIVE SECTORS: HIGHER GROWTH, REASONABLE VALUATION

Sources: Refinitiv and Banca March



We also take into account its status as a countercyclical sector, with very resilient demand for pharmaceuticals, medical services and surgical devices, which provides additional security against the volatility of other sectors more sensitive to the economic cycle. Our preference for the sector is complemented by structural demographic trends, including an aging population and an increase in chronic diseases, as well as an expectation of a reactivation of the mergers and acquisitions (m&a) market, with a sectoral cash reserve of close to \$200 billion held by large pharmaceutical companies.

CURRENCIES

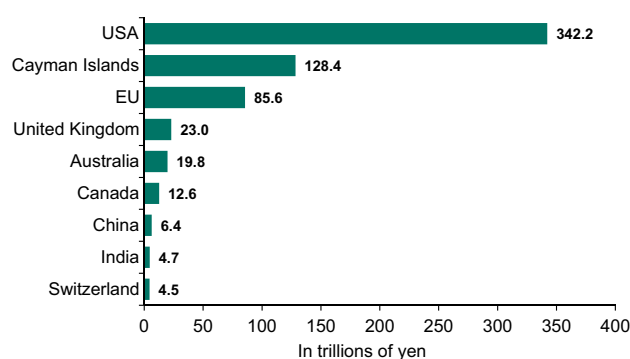
After a negative 2025, distrust surrounding the greenback intensifies and the exchange rate approaches 1.20 EUR/USD.

The dollar closed 2025 with a drop of -11.8% against the euro, the largest since 2017. The decline was similar for the dollar index, which measures its value against a basket of the six major currencies globally. The decline was due to several factors, including uncertainty about Trump’s tariff policies, a slowdown in US growth – from +2.8% in 2024 to +2.2% in 2025 – and the interest rate cuts implemented by the Fed, on three occasions to 3.50%-3.75%.

Japan emerges as a new key factor in the recent weakness of the dollar.

58. USA: FAVOURITE DESTINATION FOR JAPANESE INVESTMENT

Sources: Bloomberg, Bank of Japan and Banca March



The most recent depreciation of the dollar is interpreted in Japanese terms, given the possibility of coordinated intervention by Japan, with the tacit backing of the United States, to curb the weakness of the Japanese currency.

This intervention would take the form of selling dollar-denominated assets and directly purchasing yen, which would increase the supply of greenbacks and strengthen demand for the Japanese currency.

The mere expectation of these operations is often enough to trigger rapid adjustments in the exchange rate, especially in a context of high sensitivity to exchange rate policy signals.

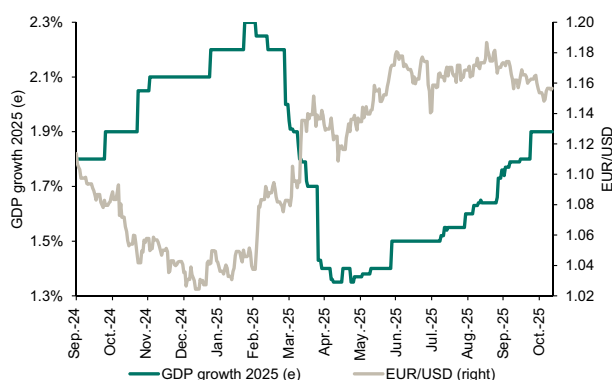
And in Trump’s words: “I’m one of those who prefer a strong dollar, but a weak dollar makes you a hell of a lot more money.” In any case, and although expectations are high, the US Treasury is opposed to intervention, which does not prevent volatility from continuing in the short term.

In this context, Figure 58 is particularly relevant, as it highlights the magnitude of Japanese investments in assets listed abroad, which are heavily concentrated in the United States. This high exposure gives Japan an effective capacity to intervene, if necessary, through the partial liquidation of dollar-denominated assets.

The factors for and against the appreciation of the dollar come to light.

59. THE AMERICAN GROWTH DIFFERENTIAL HAS RECOVERED

Sources: Bloomberg and Banca March



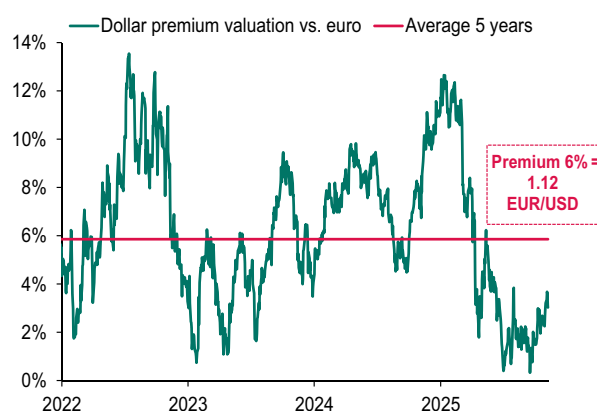
The “Trump effect” is currently obscuring aspects that are favourable for the greenback. First, we highlight the relative strength of the US economy which, driven by an expansionary fiscal policy, could cause GDP to accelerate again to levels close to +3% this year, double the growth forecast for the eurozone.

On the other hand, the increase in AI investment, with projected capital expenditure in 2026 exceeding \$500 billion from hyperscalers, will attract capital from across the Atlantic, providing support for the dollar. Furthermore, the reduction in the eurozone’s trade surplus with the US caused by the introduction of tariffs should support the US currency. Finally, we mention the momentum factor that usually points to dollar appreciation in midterm election years like the current one, although the momentum usually disappears once the event has taken place.

Given this, the expectation of further rate cuts in 2026 to neutral levels close to 3% may diminish the attractiveness of dollar-denominated assets. Powell will also be replaced at the Fed this year, which introduces uncertainty about the future direction of monetary policy and the independence of the body. On the other hand, a high and sustained US fiscal and trade deficit, its historical overvaluation vs. the euro and the growing doubts surrounding its status as a reserve currency.

60. WE EXPECT AT MOST A RETURN TO THE AVERAGE PREMIUM

Sources: Bloomberg and Banca March



Caution with short-term dollar purchases. We maintain strategic sales levels.

The euro-dollar exchange rate has reached the psychological level of 1.20 EUR/USD, placing it above our fair value estimates for the start of this year. This break is primarily due to political factors and the exceptional nature of the Japanese narrative, which have forced the cross beyond its recent trading range. In this context, the very short-term risk bias advises caution, as the current inertia could delay the pair's return to its fundamental level.

We consider it unwise to increase exposure to the dollar at current levels, waiting for the volatility generated by the "Japan factor" to dissipate. However, our conviction in the pillars that support the greenback – the strength of its economy, favourable interest rate differentials, investment flows into AI and its status as a global reserve currency – remains intact. We are thus maintaining our roadmap: we will take advantage of the return to the 1.12-1.14 EUR/USD zone as a strategic window for profit-taking, reaffirming our structural positioning in the medium term.

The pound sterling recovers some ground in January, after a 2025 with declines.

The British currency closed 2025 with a depreciation of -5% against the single currency. Factors in the equation included the domestic economic slowdown, fiscal uncertainty, and a more aggressive monetary policy by the Bank of England compared to the ECB. 2026 begins with slight gains of +0.5% against the euro, at levels of 0.869 EUR/GBP.

The Bank of England and the new fiscal budget: two pillars with opposing effects on the pound.

At its recent meeting in December, the Bank of England opted to cut rates by 25 basis points to 3.75% in a close 5-4 vote. Expectations of moderating inflation (+3.4% year-on-year in its latest December reading) and the need to ease pressure on households (translated into an immediate drop in variable-rate mortgages from this January) ultimately influenced the decision.

On the political front, Chancellor of the Exchequer Rachel Reeves presented the autumn budget in November, focused on increasing revenue to close the public deficit. Specifically, increases worth around £26 billion were announced for 2029-2030, with an increase in the dividend tax – from 8.75% to 10.75% for the basic rate in 2026 – and the extension of the freeze on income tax thresholds until 2031. The budget included an injection of funds to reduce waiting lists for the National Health Service and a freeze on regulated train fares until 2026. At the corporate level, the budget confirmed the increase in employer contributions to social security and a rise in the minimum wage starting in April 2026.

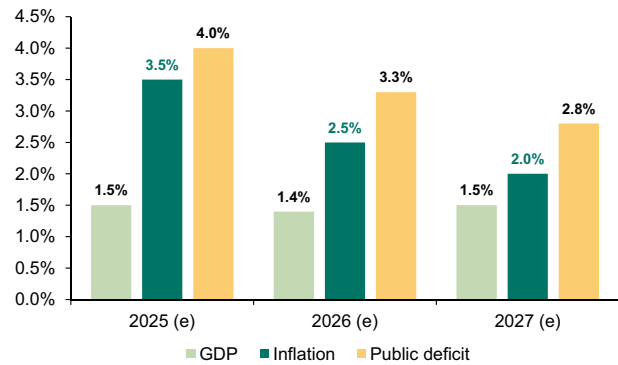
In short, a balance of opposing forces that combines an expansionary monetary policy, worsening the still attractive UK interest rate differential vs. the eurozone, with a restrictive budget aimed at consolidating public finances and generating confidence and credibility in the long-term sustainability of debt, and therefore, of the currency.

We do not currently see an entry opportunity in the pound, with a range of 0.85-0.90 EUR/GBP.

In light of the above, we believe that pressure on the pound sterling will not ease. The Bank of England has resumed the path of interest rate cuts, although we believe that after the four reductions seen in 2025 it will now take a more measured approach. At the other extreme, the imbalance in public finances, sluggish growth, and low productivity will continue to weigh on the currency. Therefore, we remain neutral within a tight range of the current 0.85-0.90 EUR/GBP fluctuation band, awaiting opportunities.

61. UNITED KINGDOM: MACRO ESTIMATES

Sources: OBR, IMF and Banca March



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