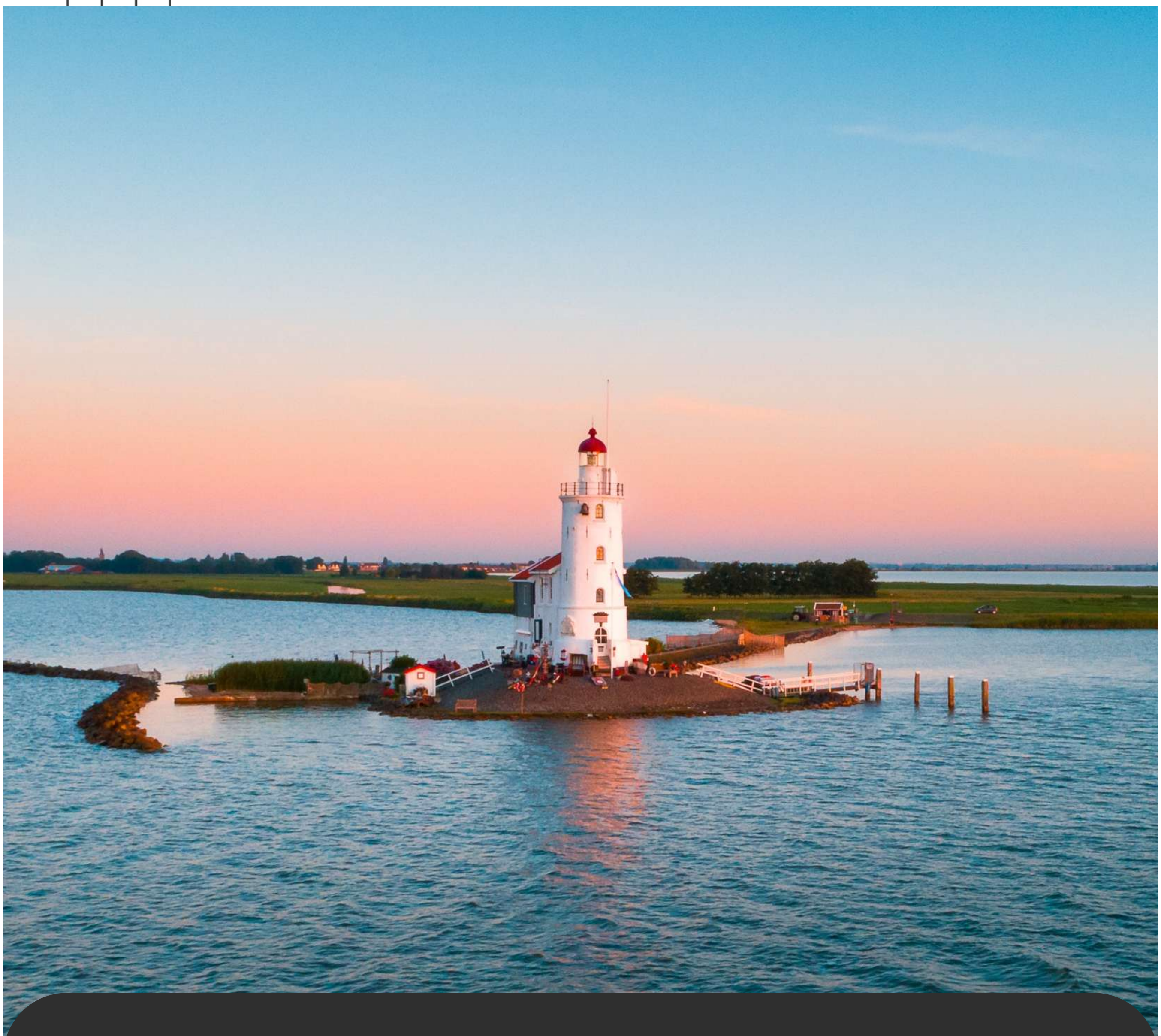

Market Commentary
CIO: a constructive shift

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Market Commentary

Geopolitical De-Escalation: A Constructive Turn for Markets

We are writing to provide a brief update on the recently announced Iran ceasefire and what it means for markets and portfolios. In our view, this development represents a meaningful de-escalation in geopolitical risk and removes a key near-term overhang that had been weighing on investor sentiment.

Markets have responded quickly and, in a manner, consistent with prior geopolitical easing episodes. Oil prices declined sharply, reflecting reduced concern about supply disruptions, while equity markets moved higher as risk appetite improved. At the same time, interest rates stabilized as lower energy prices helped ease inflation expectations. Taken together, these moves signal a shift toward a more constructive macroeconomic backdrop.

The importance of this development lies primarily in the role energy prices play in shaping inflation and growth expectations. With oil prices moving lower, the risk of a renewed inflation spike has diminished, and the path for central bank policy has become incrementally clearer. This combination supports both equity valuations and fixed income markets, reinforcing a more balanced and favorable environment for diversified portfolios.

While the ceasefire appears to be temporary and conditions in the region remain fluid, markets are appropriately recalibrating away from worst-case scenarios. In our assessment, this represents a transition from a period dominated by geopolitical tail risks toward a more normalized investment environment. As a result, we view the current backdrop as supportive of risk assets, particularly in areas tied to economic resilience and interest rate sensitivity, while high-quality fixed income continues to provide stability and income.

It is important to emphasize that uncertainty has not been fully eliminated, and we will continue to monitor developments closely—particularly with respect to energy flows and broader regional dynamics. However, the balance of risks has shifted in a more favorable direction, and we believe this supports maintaining a disciplined, long-term investment approach.

In summary, the ceasefire reduces immediate geopolitical risk, eases inflation pressures, and strengthens the foundation for markets in the near term. While vigilance remains warranted, the overall environment has become more constructive for investors.

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