



THE FUTURE IS YOURS

# AIP

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## **Getting closer, but not all clear**

As the Middle East conflict enters its fifth week, the outlines of a potential resolution are beginning to emerge. The US has initiated ceasefire proposals, signalling that Washington is approaching its political and economic pain threshold. However, Iran has publicly resisted these overtures, maintaining its blockade of the Strait of Hormuz and keeping energy prices elevated. A ceasefire and quasi-normalisation of traffic through the strait remains weeks away. The Fed is likely to cut rates in H2 to revive a weak job market. There is an opportunity to average into gold after the liquidity-driven sell-off.

### **Equities**

The global ex-US buyback equity theme outperforms at times of rising stagflation risk. Beyond signalling management confidence, buybacks help cushion portfolios against volatility by reducing share supply, offering a stabilising and defensive exposure to portfolios, while retaining participation in equity upside. Favour on non-US regions, given more pronounced corporate buyback activity.

### **Cross-asset**

Strong 'Shunto' wage negotiation outcomes increase the likelihood of an early BoJ rate hike. USD/JPY's outlook remains bearish - the pair's upside seems limited around 160 due to FX intervention risk. The pair can test support at 156. A core allocation to Japan equities in a diversified global portfolio, as the Takaichi government's fiscal stimulus should be positive for corporate Japan.

### **Commodities**

While there are signs of some central bank gold sales recently, they are temporary in nature. Emerging Market central bank demand to still help push gold prices higher. The 12-month USD 5,750 price target for gold remains in horizon.

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