INVESTMENT NAVIGATOR
Asia Edition

BNP PARIBAS
WEALTH MANAGEMENT

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Embracing the "Autumn Pain, Winter Gain" Seasonal Playbook

The months of September and October historically tend to be the most challenging period of the year for risk assets. That said, the sell-offs in autumn may clear out bloated valuations, setting the stage for a winter rally. There is an old saying that "History doesn't repeat itself, but it rhymes". Is the market embracing the same seasonal pattern this time?

In this *Investment Navigator – September 2026 Edition*, we discuss:

1. Major factors that may contribute to the "autumn pain"

2. Major catalysts that may contribute to the "winter gain"

3. How could investors navigate the "autumn pain" and position for the potential "winter gain"?

Prashant BHAYANI
Chief Investment Officer
Asia
BNP Paribas
Wealth Management

Grace TAM
Deputy Chief
Investment Officer Asia
BNP Paribas
Wealth Management

Dannel LOW
Investment Strategist
Asia
BNP Paribas
Wealth Management

1. Major factors that may contribute to the "autumn pain"

1.1. Higher global yields that tighten financial conditions

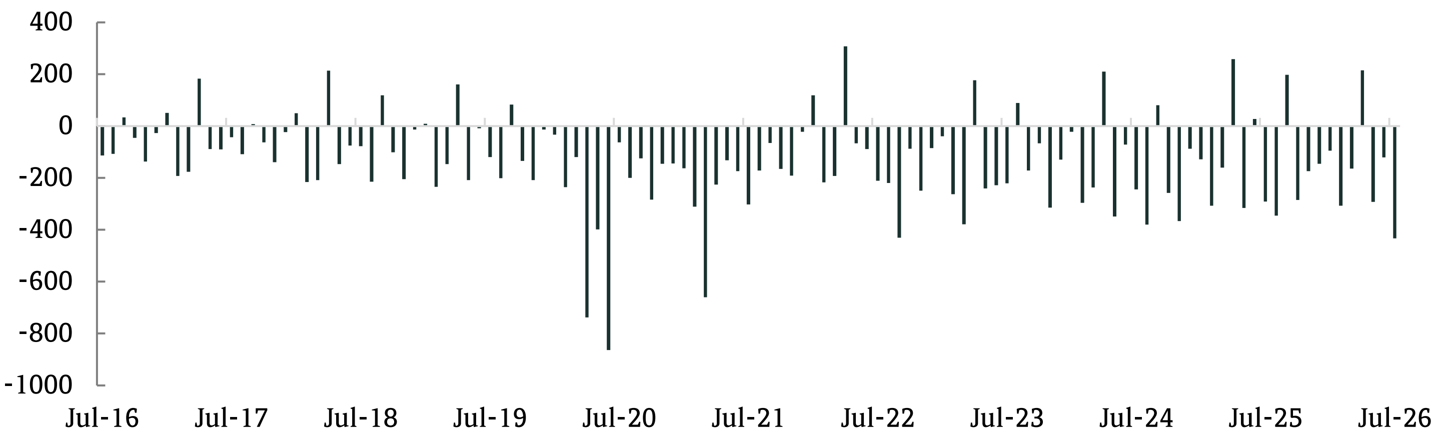
In the short term, higher global yields could tighten financial conditions, which may not bode well for risk assets.

US Treasury Secretary Bessent's "Treasury Twist" announcement to double its long-dated bond buybacks maybe able to cap yields, but it may not be able to lower yields significantly for the following fundamentals reasons:

1) Persistent inflation expectations due to prolonged geopolitical conflicts and a resilient economy, coupled with Fed's hawkish tone, have raised rate-hike expectations.
2) Hyperscalers' massive issuance is crowding out US Treasury and other investment grade bond supply.
3) The US fiscal balance continues to deteriorate, with July recording the highest monthly fiscal deficit since March 2021 *(see Figure 1)*, partly due to tariff refunds, lower tariff revenue and rising national defence spending.
4) Japan, the UK and France also face intense fiscal stress, with government bond yields hitting multi-decade highs.
5) Japan likely sold US Treasuries to fund its intervention to support the Yen *(see Figure 2)*. US Treasury's recent joint intervention on the Yen and the bond buyback announcement may aim to reduce the Bank of Japan (BoJ)'s selling of US Treasuries. Bessent's reluctance to see further foreign selling of US Treasuries is supported by his comment that the Fed should consider increasing the size of its Foreign and International Monetary Authority (FIMA) repo facility with Japan, enabling the BoJ to raise dollars without selling US Treasury holdings on the open market.
6) Norway's USD 2.3 trillion sovereign fund has recently proposed reducing its weighting to government bonds from 70% to 50%, with US Treasuries the biggest holding, to improve investment returns. This could weigh on the sentiment.

Figure 1: **US monthly fiscal deficit in July is the highest since March 2021**

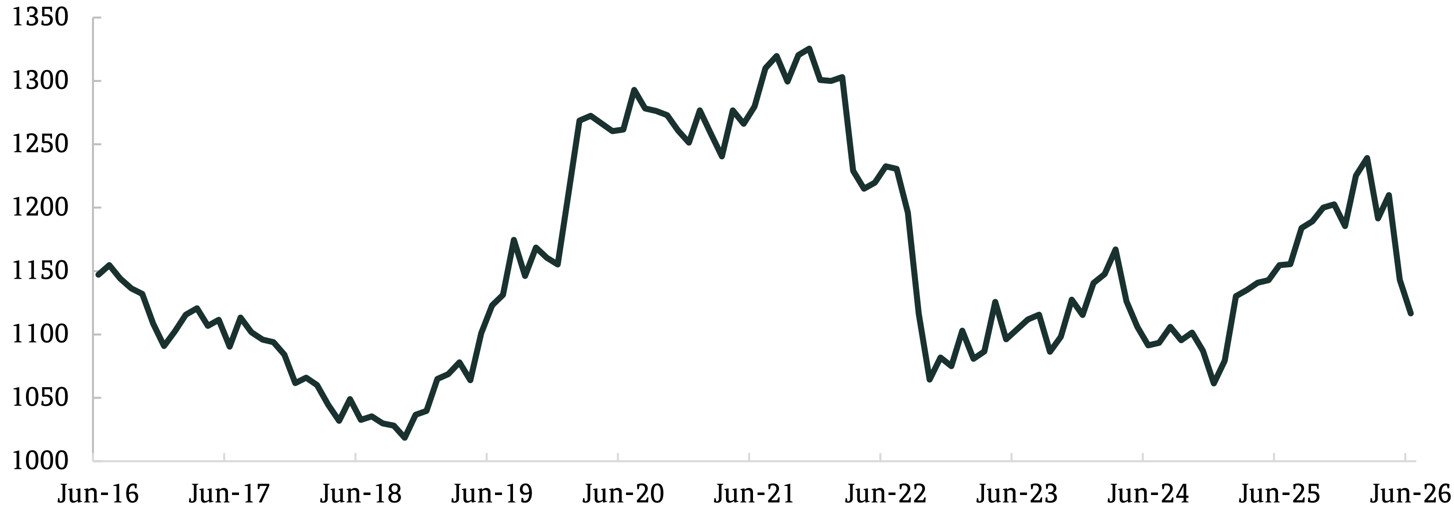
US monthly fiscal balance (USD bn)



Source: Bloomberg, BNP Paribas WM, as of 9 Sep 2026

Figure 2: **Japan's US Treasury holdings have fallen sharply YTD**

Japan holdings of US Treasury securities (USD bn)



Source: Bloomberg, BNP Paribas WM, as of 9 Sep 2026

1.2 Uncertainty around the upcoming US mid-term elections

Market tends to be more volatile in the run-up to the US mid-term elections. Recent polling results show a clear surge in momentum for the Democratic Party, driven by historic lows in President Trump's approval ratings. It is now projected that there is a higher chance of Democrats taking control of the House of Representatives, while a 50-50 tie scenario remains possible in the Senate.

Normally, markets rally post elections as the outcome is known and uncertainty fades. However, the possibility of a Democratic clean sweep seems to be underestimated by markets, which could trigger short-term volatility if it happens.

1.3 Massive equity supply from a potential Anthropic IPO and SpaceX's share unlock

Market estimates that a potential Anthropic IPO in October 2026 could raise USD 100 billion at a USD 2 trillion valuation. This would surpass SpaceX's recent record (~USD 86 billion) and would make it the largest public stock debut in history. This mega-IPO may trigger heightened liquidity-driven market volatility, as retail and institutional investors may be forced to sell existing holdings to raise cash for the participation.

Any early index inclusion could also trigger forced buying and selling from the passive index-tracking funds. Furthermore, waves of unlocking of SpaceX's insider-held shares post-IPO would significantly increase public share supply.

2. Major catalysts that may contribute to the “winter gain”

2.1. Post-elections that clear political uncertainty

Post-mid-term elections historically clear political and policy uncertainty, leading to a drop in risk premiums and a rebound in equity markets.

If the election outcome meets the consensus expectation of a split Congress, we may see a relief rally as markets tend to favour a divided government with potentially fewer sweeping legislative surprises, allowing investors to refocus on economic fundamentals and corporate earnings.

2.2. Strong earnings momentum and the AI boom remaining intact

The second quarter 2026 earnings season has been strong overall, with upward earnings revisions across the board, not only in AI-related sectors. Hyperscalers have continued to raise their capex guidance, supporting the AI “picks and shovels” ecosystem. It is also encouraging that some hyperscalers, such as Amazon and Microsoft, have seen cloud revenue growth outpace their capex growth.

The third quarter earnings season will provide further detail on AI monetisation and will be influential in shaping market expectations for capex into 2027 and beyond. At the same time, if the breadth of earnings revisions continues to improve, non-tech sectors would continue to catch up.

2.3. China ramps up policy support

We do not expect a “big bang” stimulus package from China, but the authorities are likely to roll out more targeted, incremental policy measures to support a slowing economy and achieve Beijing’s full-year GDP growth target of 4.5-5.0%. Recently, the Ministry of Finance unveiled a new RMB 360 billion (~USD 54 billion) capital injection into major state-owned banks and insurers.

As fiscal policy is the most effective lever to counter short-term downward pressure on growth, we expect fresh stimulus in the form of additional central government or local government bond quotas. We also expect some new policy-based financial instruments in the coming months.

3. How could investors navigate the "autumn pain" and position for the potential "winter gain"?

Investors could navigate the market volatility through:

1. A well-diversified portfolio across asset classes, countries/regions, sectors and currencies

2. Income focus strategies through structured solutions (take advantage of high volatility), dividend stocks, and quality investment grade bonds

3. Hedge fund strategies

4. Commodities such as gold, silver and copper

5. Private markets, such as infrastructure fund, and private equity funds on more defensive sectors such as healthcare

6. Japan, South Korea, Taiwan and China A-shares are our favored markets. Buy on dips to prepare for a year-end rally

Overview of our CIO Asset Allocation for September 2026

	Views Current	Views Prior	Constituents	We like	Comments
EQUITIES	+	=	Markets	Japan, EM (LATAM, China A, Taiwan, South Korea)	■ **Upgraded Global Equities to Overweight** ■ **Upgraded Emerging Markets (EM), including Taiwan and South Korea, to Overweight** ■ Neutral on the US, UK and Europe
			Sectors	Global Healthcare, Industrials and Mining, EU Utilities, EU Banks	■ **Industrials:** Re-shoring, re-industrialisation, defence, AI and other infrastructure (re)development are major tailwinds. But higher energy prices have been a headwind for some. ■ **Healthcare** is still undervalued, given the promising new drugs, AI benefits, and the current surge in M&A activity.
			Styles/ Themes	Megatrend Themes	■ Diversification, income, AI, infrastructure, commodities and Asian themes
BONDS	=	=	Govies	-	■ Upgraded **core Eurozone govies to Overweight,** favouring maturities 7-10 years ■ **Remain Neutral on US govies,** favouring maturities up to 5 years ■ 12-month **US 10Y yield** target maintained at 4.5%
	+	+	Segments	EUR Investment grade	■ **Downgrade GBP investment grade (IG) corporate bonds to Neutral**, while still **preferring EUR IG corporate bonds (Overweight) to USD IG bonds (Neutral)** ■ Remain **Neutral** on High Yield and EM bonds
CASH	=	=			
COMMODITIES	+	+		Gold Silver Copper Aluminium	**Precious Metals:** ■ Silver – Overweight **(12M USD 80/oz)** ■ Gold – Overweight **(12M USD 5,000/oz)** **Oil:** ■ Brent Oil – Underweight **(12M USD 60-70/oz)** **Base Metals:** ■ Copper – Overweight **(12M USD 15,000/metric tonne)** ■ Aluminium – Overweight **(12M USD 3,800/metric tonne)**
FOREX			EURUSD USDJPY		■ 12-month target at 1.20 ■ 12-month target at 155
ALTERNATIVE	+	+		Hedge funds (global macro, event driven)	■ Downgraded long-short equities to Neutral. Neutral on relative value

Note: + Overweight / = Neutral / - Underweight

GDP & CPI Forecasts

		GDP (YoY%)			CPI (YoY%)		
		2025	2026f	2027f	2025	2026f	2027f
Developed	US	2.1	2.4	2.5	2.7	3.2	2.5
	Japan	1.1	0.8	1.1	3.1	2.0	2.3
	Eurozone	1.5	0.8	1.6	2.1	2.7	2.6
	UK	1.4	1.0	1.2	3.4	3.2	3.1
North Asia	China	5.0	4.6	4.5	0.0	1.3	1.6
	Hong Kong*	3.5	2.4	2.4	1.4	2.1	1.8
	South Korea	1.1	3.2	2.3	2.1	2.7	2.2
	Taiwan	8.8	11.6	4.7	1.7	2.2	2.2
South Asia	India	7.7	3.7	6.8	2.1	5.1	4.3
	Indonesia*	5.1	5.0	5.1	1.9	3.0	2.6
	Malaysia*	5.2	4.7	4.3	1.4	1.9	2.0
	Philippines*	4.4	4.1	5.8	1.7	4.3	3.2
	Singapore*	5.0	3.5	2.7	0.9	2.3	1.9
	Thailand*	2.4	1.5	2.1	-0.1	0.9	1.0

Source: BNP Paribas Group Economic Research, BNP Paribas Global Markets forecasts as of 31 August 2026
Note: India's forecasts are for the fiscal year (April-March).
** IMF data and forecasts as of 31 August 2026*

GROWTH

- Global expansion remains on a solid footing, driven by resilient consumer spending, improving business sentiment and a surge in AI-driven capital spending, although technology sector credit spreads should be closely monitored for signs of further stress from ongoing debt issuance.
- China's economic growth continues to slow, dragged by the ongoing property downturn and weak domestic demand. Beijing has announced plans to inject US$54 billion into its financial sector to bolster banks and insurers, amid signs that the world's second largest economy is struggling to escape weak growth.

INFLATION

- In the absence of a clear catalyst to de-escalate the US-Iran conflict, elevated energy costs are expected to sustain inflationary pressure in the near term, but importantly, are not expected to undermine the overall resilience of global growth.
- Central banks face a growing trade-off between controlling inflation and maintaining debt sustainability. Political pressures may push them to tolerate higher inflation, as seen in the US, the UK, and Japan, where core inflation has remained above or at 2% for extended periods despite official targets.

▲ OVERALL GLOBAL: OVERWEIGHT

COUNTRY		
Japan ▲ EM	US EU	-
SECTOR		
Healthcare Industrials	Comms. Materials Consum. Discre. Technology Financials Utilities Real Estate	Consumer Staples Energy

▲ OVERALL ASIA: OVERWEIGHT

COUNTRY		
China A-shares ▲ South Korea ▲ Taiwan	China H-shares India Southeast Asia	-
SECTOR		
Comms. Consum. Discre. Technology Healthcare	Materials Real Estate Financials Industrials Energy	Utilities Consumer Staples

- **Upgrade Overall Equities to Overweight:** Despite the headwinds of higher rates and ongoing geopolitical risks, equities are showing remarkable resilience, with most major indices trading at (or close to) all-time highs. We note a broadening of the move away from AI infrastructure into other areas of the market. The resilience has been driven by a strong economy, as well as robust earnings growth that remains above the last decade's average.
- Region-wise, **we upgrade Emerging Markets from Neutral to Overweight.** Asia remains the centre of the AI build-out trade and is our key conviction call. **We thus upgrade South Korea and Taiwan from Neutral to Overweight** as the current risk/reward profile looks more favourable for both countries.
- **We remain Neutral on Europe and the US.** While Europe's recovery is improving, risks from higher gas prices and upcoming elections remain. In the US, we continue to favour equal-weighted over cap-weighted equities to reduce hyperscaler concentration risk and to benefit from a broader market rally.
- **Stay Overweight on Japan**: Japan remains favourable thanks to political stability, pro-growth reforms and improving corporate governance. As a leader in AI, semiconductors and robotics, and with strengthening economic ties to the US, Japan is well positioned to benefit from global innovation and supply chain trends.

		1-month (%)	YTD (%)	2025 (%)	Dividend Yield (%)	12M Fwd PE (x)	Trailing PB (x)	12M Forward ROE (%)	EPS Growth Past 12M (%)	EPS Growth 12M Fwd (%)
Developed	US	1.9	11.3	16.9	1.0	22.7	5.1	40.8	43.4	35.0
	Japan	3.9	19.1	24.3	2.0	19.2	1.9	13.4	33.0	18.6
	Eurozone	1.4	15.3	36.2	2.6	16.2	2.2	19.1	23.8	20.8
	UK	1.2	12.6	35.6	3.1	12.9	2.3	20.7	30.4	29.5
North Asia	China	4.1	3.3	26.6	1.5	19.4	2.9	17.2	39.4	59.7
	Hong Kong	1.0	-2.7	33.5	3.2	10.8	1.3	15.0	18.2	24.3
	South Korea	9.0	64.9	80.9	0.9	6.8	2.2	25.0	253.5	381.2
	Taiwan	11.6	62.2	36.8	1.5	22.3	4.5	34.7	71.1	71.3
South Asia	India	-0.3	-6.7	2.0	1.2	19.7	3.2	19.7	12.0	20.9
	Indonesia	5.5	-38.3	8.8	3.0	12.5	2.4	17.1	7.9	12.6
	Malaysia	0.6	5.3	15.8	3.4	15.9	1.6	12.6	21.0	9.5
	Philippines	-3.2	-7.1	-2.1	3.9	9.8	1.1	20.4	15.4	5.1
	Singapore	2.4	22.3	37.2	3.9	17.3	1.6	13.4	11.9	5.9
	Thailand	-1.5	26.0	2.9	3.2	16.4	1.7	18.5	53.1	13.3

Source: Macrobond Indices in USD terms, BNP Paribas (WM), as of 31 August 2026

OVERWEIGHT NEUTRAL UNDERWEIGHT

OVERALL GLOBAL: NEUTRAL		
Overweight	Neutral	Underweight
▲ Eurozone Govies EUR IG	US Treasuries US IG ▼ GBP IG EMD (HC) EMD (LC) UK Gilts High Yield	-

OVERALL ASIA (USD): NEUTRAL		
Overweight	Neutral	Underweight
Japan Singapore Australia	South Korea Hong Kong India China	Philippines Indonesia

		Total Return (%) 1-month	YTD	2025	Yield-to-Worst (%)
Asia	Asia USD Bond	0.4	0.4	8.1	5.3
	Asia Local Currency Bond	2.1	-4.1	9.7	4.3
	China	0.3	0.9	7.3	5.2
	Hong Kong	0.2	0.5	8.4	5.1
	India	0.4	1.6	9.6	5.7
	Indonesia	1.2	-1.3	8.9	5.6
	Singapore	0.2	0.4	6.6	4.9
	South Korea	0.2	1.0	7.1	4.8
	Philippines	0.9	-0.9	9.1	5.5
Other Regions	US 10-year Treasuries	0.2	-1.4	7.8	4.8
	US Investment Grades (IG)	0.4	-0.3	7.3	5.0
	US High Yield (HY)	1.0	2.7	8.6	7.3
	Emerging Market USD Bond	0.5	0.7	8.3	5.5

Source: Barclays indices, Bloomberg, BNP Paribas (WM) as of 31 August 2026

US Treasury 12-month Yield Targets (%)	2Y	5Y	10Y	30Y
	▲ 4.10	4.20	4.50	4.95

- **Rate Forecasts:** Fed Chair Kevin Warsh surprised markets with a hawkish speech at the Jackson Hole symposium, triggering a repricing of expectations for the September meeting. Warsh reiterated a commitment to the 2% Personal Consumption Expenditures (PCE) inflation target and hinted at a reaction function consistent with previous Federal Open Market Committee (FOMC) policy. **After the September hike, we expect another hike in December 2026. As for the European Central Bank, deposit rate was hiked by 25bps as expected in September**, given the higher energy prices as well as a more resilient economy. **For the Bank of England (BoE), we now expect the BoE to raise rates in December 2026. We also expect a series of rate hikes in Japan over the coming months.**

- **Govies:** The recent rise in government bond yields, especially in the US, was driven by rising real yields, mainly due to increased demand for capital and a higher term premium due to Fed policy uncertainty. **We reiterate our 12-month target of 4.50% for the US 10Y Treasury yields**, while acknowledging the risk that yields could temporarily overshoot above 5% in the coming months. **We upgrade core Eurozone govies from Neutral to Overweight**, as the expected return is again favourable after yields rose sharply and are well above our targets. We favour maturities of 7-10 years.

- **Corporate Investment Grade (IG) Bonds**: **We downgrade GBP IG corporate bonds to Neutral, while still preferring EUR IG corporate bonds (Overweight) to USD IG bonds (Neutral)** given supply dynamics and the level of yields/spreads. We focus on quality.

12-MONTH FOREX VIEW

Overweight	Neutral	Underweight
EUR CAD MYR	GBP AUD NZD CNY TWD INR PHP SGD THB JPY	USD KRW IDR

COMMODITIES

Overweight	Neutral	Underweight
Gold Silver Base Metals	-	Oil

- **JPY: The Yen strengthened towards ¥153 per US Dollar, driven by a combination of strong domestic economic data and shifting policy expectations.** Japan reported robust wage growth and upward revisions to second quarter GDP, giving the Bank of Japan (BoJ) clear fundamental backing to raise interest rates faster than previously anticipated. Markets are currently aggressively pricing in BoJ rate hikes, driven by signals that the Takaichi administration and BoJ will prioritise tightening to curb inflation rather than relying purely on fiscal spending. **We expect a series of rate hikes in Japan over the coming months, starting with a 25bps hike this September.** We forecast a terminal rate of 2.5% by September 2028, although the pace of hikes could accelerate further down the line.

- **PRECIOUS METALS: We maintain our 12M price target of USD 5,000/oz for Gold and USD 80/oz for Silver and confirm our Overweight view on precious metals.** The weakening of the US Dollar and the revival of the debasement trade are clear tailwinds. In an uncertain geopolitical environment, we expect central banks to remain buyers as well.

- **OIL:** Despite the memorandum of understanding falling apart and the short-term risk of further escalation in the Middle East, we maintain our bearish view on a structurally oversupplied market and **maintain our 12M target range of USD 60-70/barrel for Brent**.

- **BASE METALS**: **We maintain our Overweight view on industrial metals and hold our 12M price targets at USD 15,000/MT for LME Copper and USD 3,800/MT for LME Aluminium.** Despite weak Chinese economic data, we remain structurally positive on industrial metals due to strong structural demand (renewables, data centres, electric vehicles).

Forex Forecasts

		Spot	3-month		12-month	
		As of 15 Sep 2026	View	Target	View	Target
Developed	USD Index	98.79	+	100.7	-	96.3
	Japan	154.0	-	158	=	155
	Eurozone	1.162	-	1.14	+	1.20
	UK	1.354	=	1.33	=	1.38
	Australia	0.722	=	0.73	=	0.71
	New Zealand	0.585	=	0.60	=	0.60
	Canada	1.378	=	1.38	+	1.35
Asia Ex-Japan	China	6.707	=	6.70	=	6.60
	South Korea*	1,343	-	1,520	-	1,490
	Taiwan*	31.55	=	32.0	=	31.8
	India	94.83	=	95.0	=	95.0
	Indonesia*	17,630	-	18,350	-	18,500
	Malaysia*	4.063	=	4.03	+	3.90
	Philippines*	62.60	=	62.0	=	61.5
	Singapore*	1.265	=	1.29	=	1.26
	Thailand*	32.93	=	33.5	=	33.0

Source: BNP Paribas (WM) as of 15 September 2026
**BNP Paribas Global Markets forecast as of 31 August 2026*

Note: + Overweight / = Neutral / - Underweight

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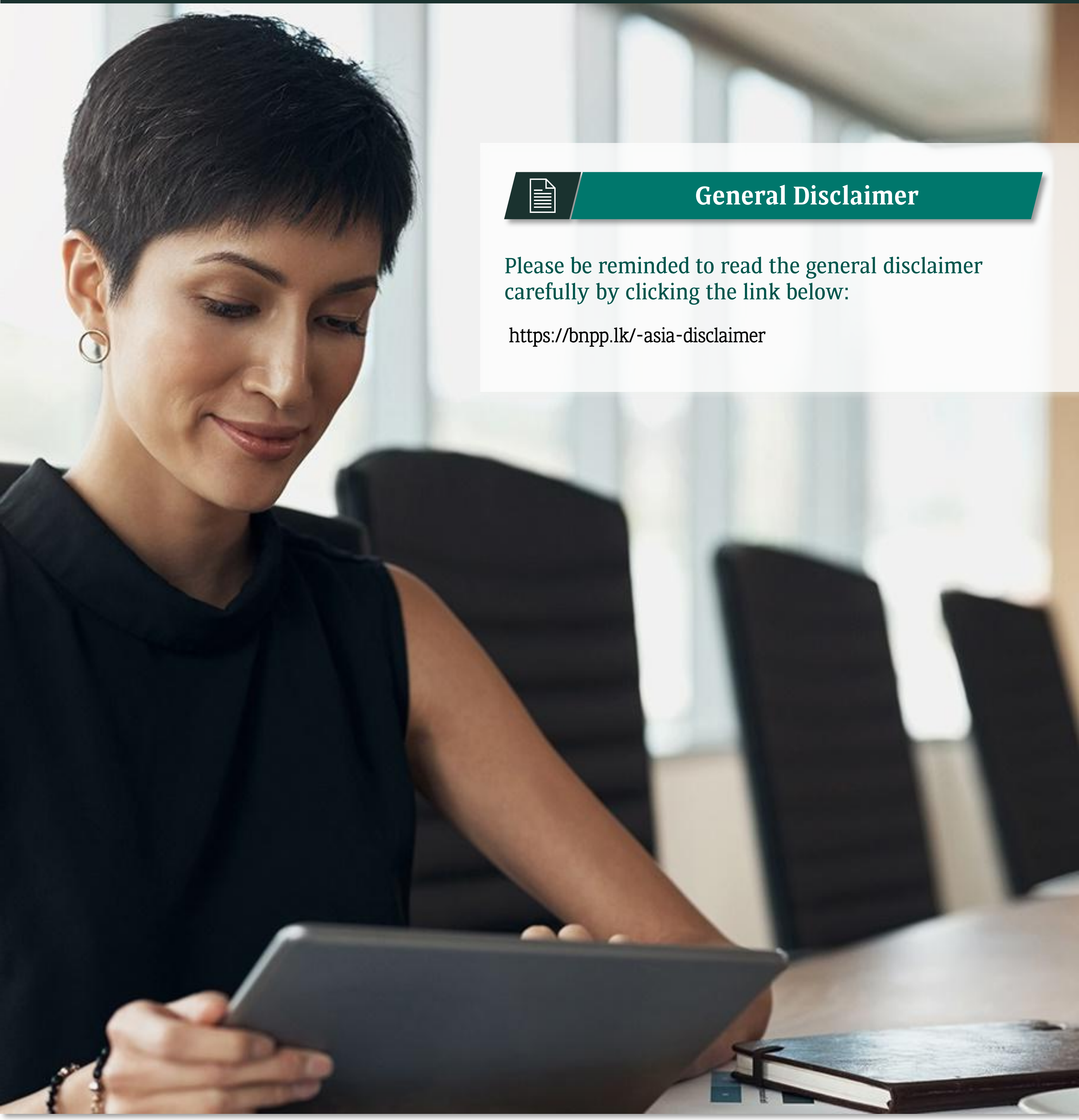

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