September 2026

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This document is a marketing communication

Market Outlook

#1 Markets & Macro

Positive outlook for global equity markets – earnings growth is key


Vincenzo Vedda

"The global economy has coped surprisingly well with the energy-price shock triggered by the Iran conflict. Our base case is for continued expansion," says Chief Investment Officer Vincenzo Vedda. However, a growing divergence in economic momentum is emerging. On the one hand, investment in artificial intelligence (AI) remains a key growth driver for the US and supports corporate earnings.

On the other hand, some areas are showing clear signs of slowing. Momentum in consumption, the housing market and parts of the labour market is weakening. Realism is also required when it comes to AI. "Growth in investment is likely to peak gradually," Vedda expects. Whether the success story can continue will then depend largely on whether the exceptionally high investment leads to corresponding monetisation and productivity gains. "Our fundamentally positive outlook for the global economy is reflected in our positive view of global equity markets through September 2027," says Vedda. However, much will depend on whether companies can continue to increase earnings growth. Vedda considers higher prices driven by valuation expansion unlikely, not least because interest rates are now very high. On a positive note, earnings growth in the US has recently broadened across significantly more companies and is no longer quite as concentrated in the "Magnificent Seven" technology companies.

For these positive expectations to materialise, several conditions must be met: the Strait of Hormuz must remain at least partially open, advanced economies must expand close to their potential, and a recession must be avoided. The future level of interest rates will also play an important role. "We expect the yield on ten-year US Treasuries to remain below five per cent," says Vedda. Otherwise, stress in equity markets could increase.

Themes moving the capital markets

Economy: Global growth expected to pick up slightly

- We expect global economic growth of 3.0 per cent in 2026, followed by a slight acceleration to 3.3 per cent in 2027.
- The US economy is expected to grow by 2.1 per cent this year and 2.0 per cent next year. For the euro area, we expect growth to accelerate from 0.9 per cent to 1.3 per cent.

Inflation: Price pressures expected to ease gradually in 2027

- We expect US inflation to fall significantly to 2.3 per cent next year (2026: 3.2 per cent). The inflationary effects of tariffs and oil prices should fade. The anticipated weakening of the labour market and slower wage growth should also dampen inflation.
- For the euro area, we expect inflation to decline to 2.5 per cent in 2027 (2026: 3.1 per cent).

Central banks: Only one rate hike expected in the U.S.

- Given that US inflation has remained above the two per cent target for some time, we expect the Federal Reserve to raise rates once over the next twelve months, to 3.75 to 4.00 per cent.
- In the euro area, we believe the rate-hiking cycle is likely to have ended with the increase to 2.5 per cent in September.

Risks: Further increases in bond yields and geopolitical escalation

- Although the growth outlook remains positive and inflation is gradually easing, there are substantial risks to market performance that could derail the positive scenario.
- In particular, higher bond yields and the still considerable geopolitical uncertainties could lead to negative surprises.

#2 Equities

The right mix of disruption and continuity is key

Andre Köttner

Portfolio manager Andre Köttner is a strong believer in barbells, at least when it comes to his investment strategy. Current and, in his view, likely future winners from artificial intelligence sit at one end of the barbell. At the other are companies that have virtually nothing to do with technology, and AI in particular, whose business models are unlikely to face the same enormous pressure for change from AI and are unlikely to be disrupted in the foreseeable future.

Always nearly fully invested

With this strategy, Köttner, whose funds are almost always close to 100 per cent invested in equities, aims to reduce some volatility. This also sets him apart from many market participants. Despite the surprisingly positive performance of stock markets this year, some caution is warranted. “Nervousness has increased significantly recently. Investors sometimes switch between enthusiasm and scepticism within a few days,” says Köttner. At times, the winners of the AI boom are in focus; at others, companies considered potential losers from technological change. This has led to more frequent price swings of ten per cent or more over very short periods.

Further rising interest rates a risk

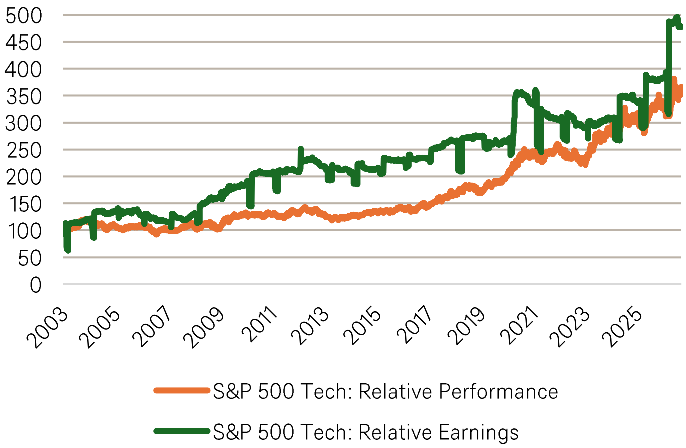
As an equity portfolio manager, Köttner cannot ignore rising interest rates either. They are a risk factor for equities because they reduce the present value of companies’ future earnings. His strategy: “I need companies with low debt and pricing power,” says Köttner. The latter is particularly important in the current environment of elevated inflation.

Companies with sound balance sheets, low debt and the ability to pass higher costs on to customers offer genuine added value. Such business models may remain attractive even if the macroeconomic environment becomes more challenging.

Köttner is generally confident about European equities, without being euphoric. There is not much to gain from AI here. Every region has its strengths. In Europe, these include healthcare, financials and insurers. He also finds opportunities in mechanical engineering and luxury goods for his long-term investment strategy.

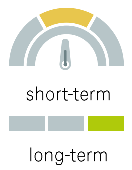
Strong technology earnings growth drives prices

Estimated earnings over the next twelve months; indexed: 100 = 2003



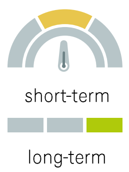
Sources: Bloomberg Finance L.P., DWS Investment GmbH, as of 3 September 2026

US equities: Prospect of continued strong corporate earnings should support prices



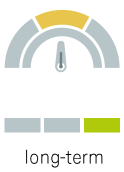
- The continued expected increase in corporate earnings should support US equities. Earnings trends are positive not only among AI companies; the base has broadened, with all other sectors also contributing to the positive outlook.
- Our new target for the S&P 500 as of September 2027: 8,400 points.

German equities: Dax offers significant upside potential



- We consider a total return of around ten per cent for the Dax realistic over twelve months, although its valuation discount to U.S. equities has recently narrowed. This is mainly due to a change in sector composition. The weighting of automotive and chemical companies is significantly lower than in the past.
- Our target for the Dax as of September 2027: 28,600 points.

European equities: Turnaround in corporate earnings should provide a tailwind



- We believe total returns in the high single digits are possible for European equities over twelve months. The main reason is that corporate earnings are expected to rise significantly after three years of stagnation.
- Our target for the Stoxx 600 as of September 2027: 690 points.

Japan: Considerable further upside despite already strong equity performance

- We believe the outlook for Japanese equities is slightly better than for European and U.S. equities.
- Both domestic and export-driven earnings momentum should remain robust. In addition, corporate governance and share buybacks continue to improve.
- Our target for the MSCI Japan as of September 2027: 2,760 points.

#3 Bonds

Emerging-market bonds offer attractive return opportunities

Emerging-market bonds, particularly sovereign bonds, currently offer attractive return opportunities. Total returns in the high single digits, comprising interest income, price performance and reinvestment income, appear possible over a twelve-month horizon. Support should come from robust global growth, positive rating developments and the prospect of a weaker U.S. dollar. However, much of the good news is already priced in.

Sovereign bonds: spreads already very low

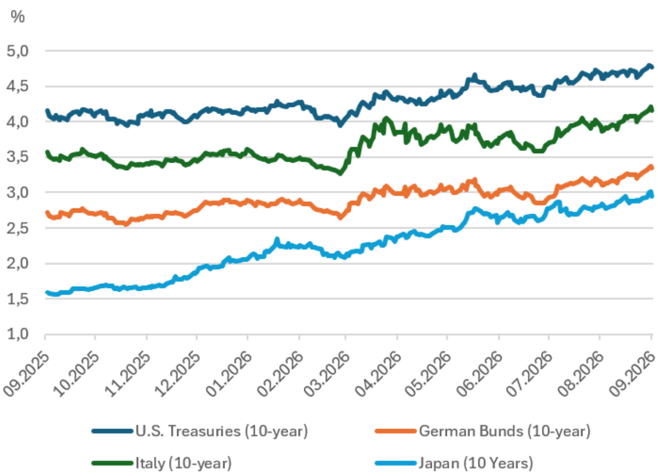
For sovereign bonds, the scope for further spread tightening therefore appears limited. This would require an easing of tensions in the Gulf region, which currently looks highly uncertain once again. Rising real US yields could have a negative impact.
Asian corporate bonds are supported by solid corporate fundamentals, strong regional demand and limited new issuance. The high savings rate should help absorb new bonds. However, spreads are close to historical lows. Higher energy prices, geopolitical tensions and new trade conflicts remain key risks.

Attractive current income

Conclusion: The appeal of emerging-market bonds lies in their current income, not in significant price appreciation. We consider riskier high-yield bonds slightly more attractive than investment-grade bonds because of their higher current income.

Government bond yields at elevated levels

Yields have now risen significantly in Japan as well



Sources: Bloomberg Finance L.P., DWS Investment GmbH, as of 4 September 2026

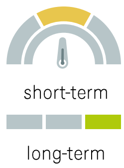
US government bonds (10 years)

Attractive return potential

- We expect a slight decline in yields to 4.50 per cent by September 2027.
- The expected total return is therefore around seven per cent.

German government bonds (10 years)

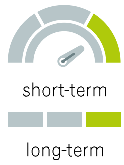
Price appreciation potential for Bunds



- German Bund yields are also expected to decline slightly, to 3.10 per cent.
- This corresponds to an expected total return of well above five per cent.

Emerging-market government bonds

High return potential, high risk



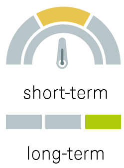
- We do not expect any material change in emerging-market sovereign bond yields.
- Total returns of 9.6 per cent over twelve months should adequately compensate for the higher risks.

Corporate bonds

Investment Grade

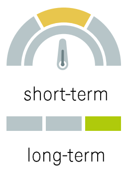
USA

Eurozone

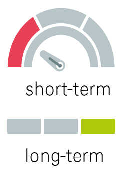


High Yield

USA

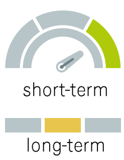


Eurozone



#4 Currencies

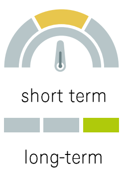
Euro/US dollar: Only limited further appreciation potential for the euro



- The combination of substantial refinancing needs and large fiscal deficits is increasingly becoming a burden for the US currency. A moderately improved economic outlook in the euro area also supports the euro.
- We expect the euro-US dollar exchange rate to reach 1.20 by September 2027, implying a slight weakening of the dollar.

#5 Alternative Investments

Gold: High bond yields likely to limit upside potential



- We maintain our positive view on gold, supported by continued central-bank buying, fiscal concerns and diversification away from US Treasuries. However, currently high real and nominal yields could limit near-term upside.
- Our target for one troy ounce as of September 2027: USD 5,000.

Glossary

Basis point
One basis point equals 1/100 of a percentage point.

Dax
Market-capitalisation-weighted index comprising Germany's 40 most important listed companies. Performance index that includes dividend payments.

High yield (HY)
High-yield bonds issued by lower-rated borrowers, which generally offer comparatively high interest rates.

Hyperscaler
Provider of cloud services that operates enormous computing, storage and network-infrastructure resources and makes them available globally and at high scalability.

Investment grade (IG)
Corporate bonds that rating agencies classify as having a low risk of default (at least medium credit quality).

Yield
The ratio of the outflows to the inflows of an investment.

S&P 500
Market-capitalisation-weighted equity index tracking the 500 leading listed US companies.

Stoxx 600
Equity index of European companies from the large-, mid- and small-cap segments.

Legend

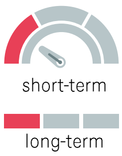
Strategic view through September 2027

The indicators signal whether we expect an upward, sideways or downward trend in the respective asset classes. They show the short-term and long-term return potential for investors.

Source: DWS Investment GmbH; CIO Office, as of 10 September 2026

Positive return potential

Opportunities for gains, but also risks of loss, are relatively limited



Negative return potential

Important information

DWS International GmbH, as of 10 September 2026 – CRC 090951_21.0 (09/2026)