KFH Capital Monthly Insights

Capital Market Outlook & Updates

June 2026

Capital Market Insights & Outlook

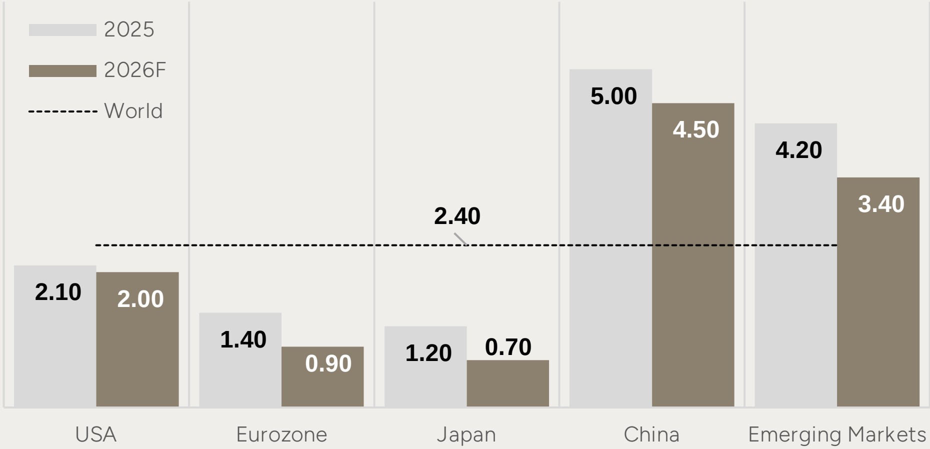
Key themes for the 2H2026 include Geopolitics, Commodity prices, Inflation, Policy rates and the recent momentum in the US Dollar….

Factor	View	Comments / Notes
Macro Update	Neutral	For the 2H2026 we remain neutral on the global macroeconomic backdrop, however downside risks continue to remain high. It is a change from our previous month view of potential downside risks, primarily driven by the signing of the MOU between US & Iran which reduces economic uncertainty. Key variables that transmit macroeconomic risks or act as headwinds include Crude oil prices, inflation and Policy Rates. Crude oil prices account for much of the downside risks As witnessed during the 1H2026 wherein the average Brent prices were above USD 100 per barrel driving inflation higher. The 2026 forecasts for global inflation are at 4.0% with potential upside risks, 2025 inflation levels were at 3.4%. Elevated inflation levels are to impact consumption a key growth driver, further, hawkish monetary policy acts as another headwind to growth; higher interest rates to impact consumer spending, Investments. While on the other end of the spectrum, if oil prices remain contained and current elevated inflation levels are transitory the market may witness favorable monetary policy stance which should act as tailwinds to growth
Fixed Income	Neutral	Bearish Steepening of the US Yield Curve movement suggests bond investors are pricing strong economic growth, higher inflation, higher for longer rates and another factor into consideration is fiscal deficit concerns. Thus, the Fixed Income price movements are supportive of the macro risks hypothesis stated above. We remain neutral on Fixed Income with volatility in the medium tenor yields (2Y & 5Y) while investors demand higher premium for 30Y
Equities	Neutral	Global Equity indices have recovered from respective lows, we believe at current levels markets have priced in the recently announced US-Iran deal with the exception of regional (GCC) equities which continue to remain the negative on a half yearly basis. Regional equities continue to be impacted by the macroeconomic fallout of the conflict For the 2H2026 regional equities will be driven by the incoming news on the deal, the flow of shipping traffic in the strait of Hormuz. As for global Equities, we see limited upside from current levels, according to Bloomberg the consensus is for the S&P to end the current year with 2-3% gains from current levels. Equities are likely to remain volatile with the primary uptrend intact for 2H2026. The headwinds include inflation, policy rates and the AI Investment boom
Commodities	Neutral to Bearish	Though commodities have posted a broad-based correction on a monthly basis on the back of improved geopolitics, on a half yearly basis prices continue to remain elevated. We believe prices will continue to remain on the higher side driven by supply side risks. The US Dollar Index has reported 2.91% gain for the 1H2026 after underperforming majority of the first half. The outlook for 2H2026 is of potential upside in the USD, modest USD strength is adaptable however sharp appreciation can unsettle global markets.

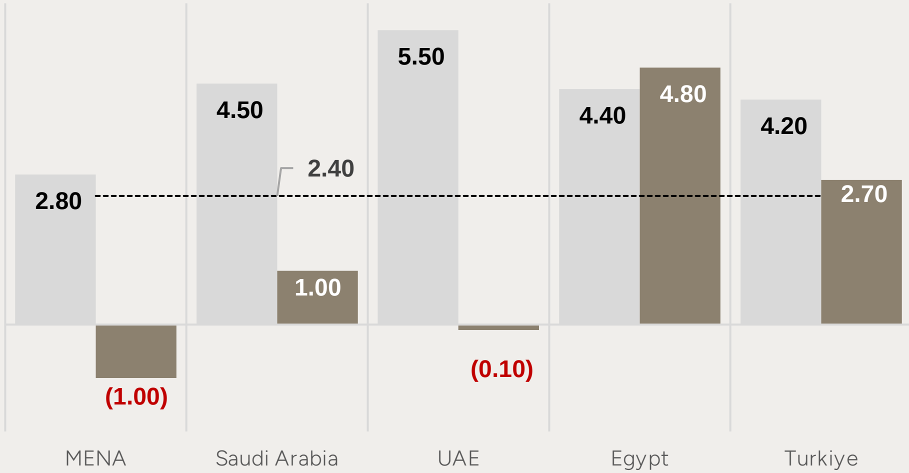
Macroeconomic Overview

The US Iran Deal to reduce economic uncertainty, however downside risks to global growth remain as supply chain risks continue.

Real GDP Growth (%) - Global



Real GDP Growth (%) – MENA Region



- The Fitch forecasts for the Gulf region is steep contraction in GDP growth during 2026. Key drivers being damage to energy facilities and infrastructure, supply chain risks due to the uncertainty around the strait and impact on domestic consumption.
- Saudi Arabia is expected to record growth given its ability to export around 50-60% (as per Fitch estimates) of the its pre conflict oil export levels. Thus, benefitting from higher oil prices which should have a positive impact on government budgets. Increased government spending and domestic consumption should support growth

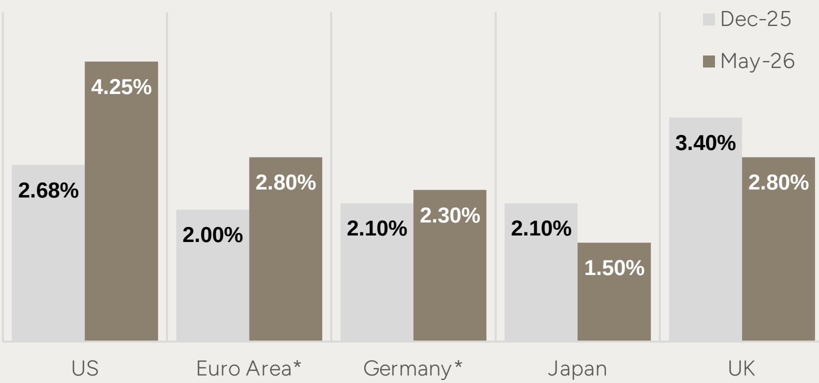
Source: Fitch Solutions, f=forecasted, e=expected

- In the case of UAE downside risks continue with GDP growth stagnating, negative growth in non-oil economy a key GDP driver coupled with steep contraction in the oil sector growth to impact negatively.
- While Fitch forecasts steep contraction in Kuwait GDP with increased downside risks for 2026. Driven by over 10% contraction in the oil sector and 3-4% contraction in the non-oil sector due to the disruption in oil production and exports

Consumer Price Inflation & Central Banks' Rates Monitor

During the 2H2026 Global Central Banks to keep rates steady and take a "Wait & Watch" approach on Policy Rates. While Inflation to remain elevated with potential upside risk.

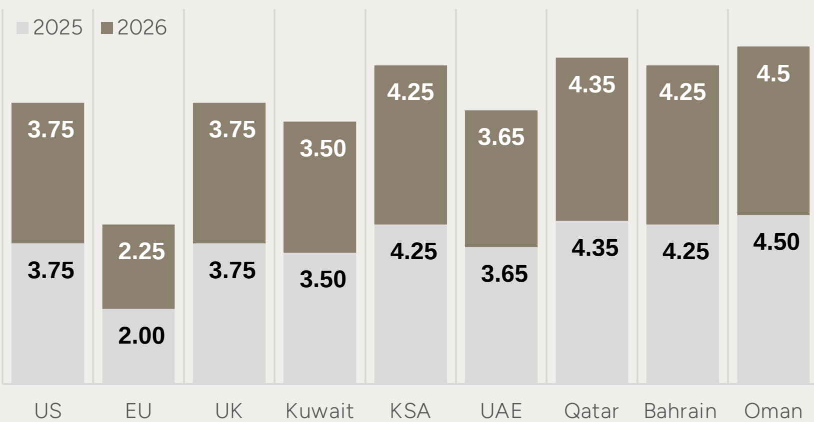
Consumer Price Index (CPI)



- and key driver being higher energy costs. The outlook for global inflation is expected to be 4.0% for 2026 as per fitch higher when compared to 2025 levels of 3.4%
- UK was exceptional with inflation at 2.8% down from 2025 levels, the reason being weak demand as economic activity remains subdued.
- On Interest Rates, the European Central Bank (ECB) was the only exception with a 25bps increase in rates as US & UK kept rates unchanged during the first 1H2026. n the case of US we believe the Fed is likely to keep rates steady as economy remains resilient, Unemployment at 4.2%. While UK has a high probability of one rate cut of 25bps to support weak growth .

*Source: Refinitiv; CPI: Consumer Price Inflation; *for the month of April 2026;*

Central Banks Rates



Economic Calendar

July 2026

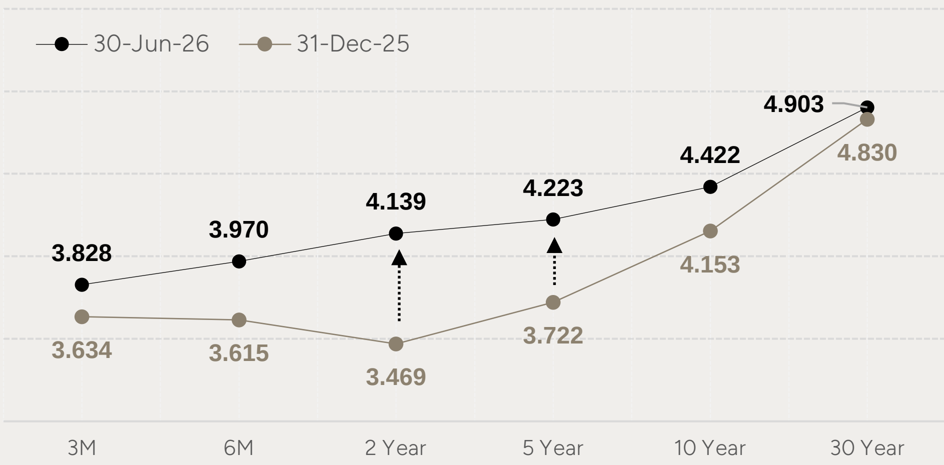
Sun	Mon	Tue	Wed	Thu	Fri	Sat
28	29	30	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

Jul 02: Non-Farm Payroll - US
Jul 03: Consumer Price Inflation - Turkey
Jul 09: Consumer Price Inflation - China
Jul 14: Consumer Price Inflation - US
Jul 17: Consumer Price Inflation - Eurozone
Jul 22: Consumer Price Inflation - UK
Jul 24: Consumer Price Inflation - Japan

Global Benchmark Yields

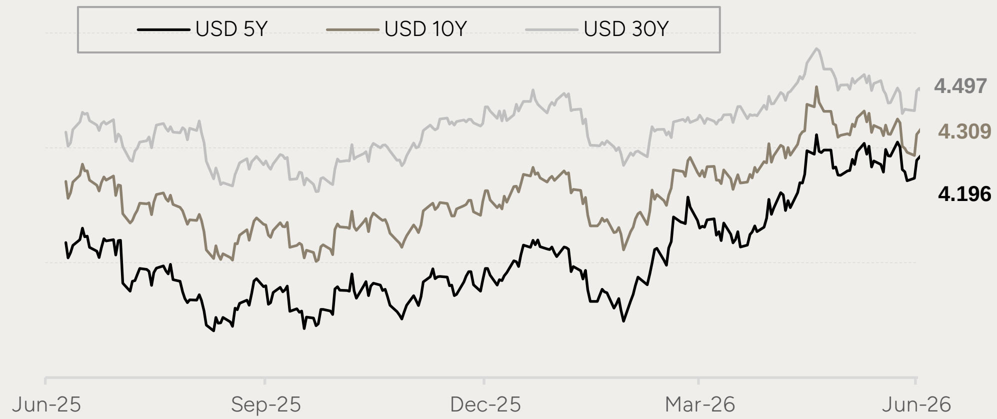
1H2026 Yield Curve movement suggests a bearish steepening, an indication that bond markets are pricing higher for longer rates.

US Treasury Yield Curve (%)

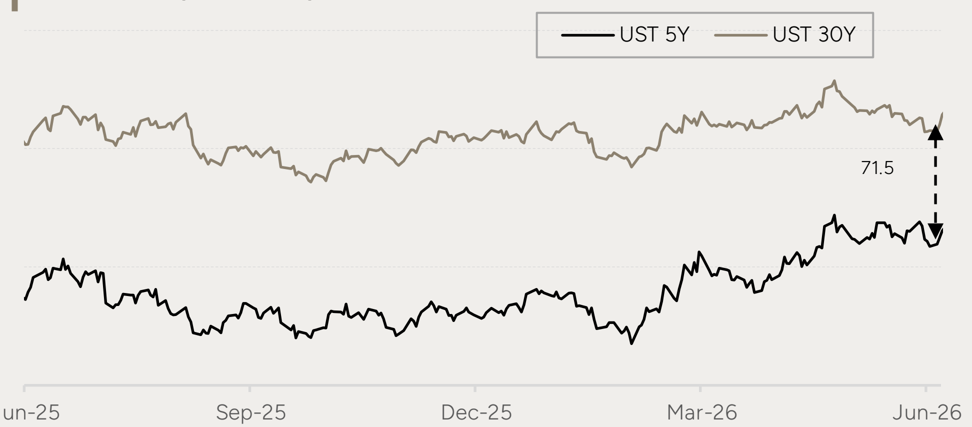


- During the 1H2026 the 2Y Yields have moved up by 67bps while the 5Y Yields have moved up by 50bps. The long tenor Yields have been flat with the 30Y moving up by 7bps to 4.903%.
- The sell off in the belly area of the curve suggests that there is repricing of the US Fed expected path in the short to medium term. However, the long term or primary fundamental trend remains intact.
- The US Yield Curve movement also highlighting fiscal deficit concerns and likely increased government borrowing in the short to medium term.

US Mid-Swaps Yield (%)



30Y-5Y Spread (bps)



Source: Refinitiv, Year-to-Date (YTD) as of June 30, 2026

Equity Markets Update

The primary trend continues to remain in the uptrend for equities; however, one can expect increased volatility during the 2H2026.

Global Markets Recover post the Conflict

The S&P500 Index closed marginally below the 7,500 mark at 7,499.36 as of June 30; 2026. The Index recorded a gain of 9.55% during the 1H2026. The Index has gained over 15% from its low during 1H2026.

The MSCI World Index was also no different, it closed the 1H2026 at 4,825.5 a gain of 8.91% during the first half. The world Index has recorded a gain of 16.3% from it's low of 4,163.7 during the first half of 2026.

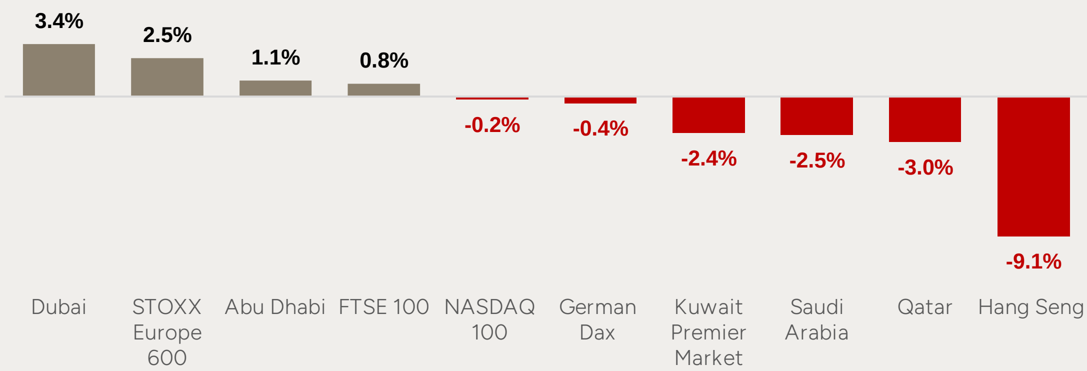
GCC Indices performance remains mixed and muted

GCC Indices have been the most impacted from the conflict which is evident from the equity indices performance. On half yearly basis Saudi continues to be at the top with 2.9% gains during 1H2026 , while the Dubai DFM was the top performer with 3.4% gains on a monthly basis.

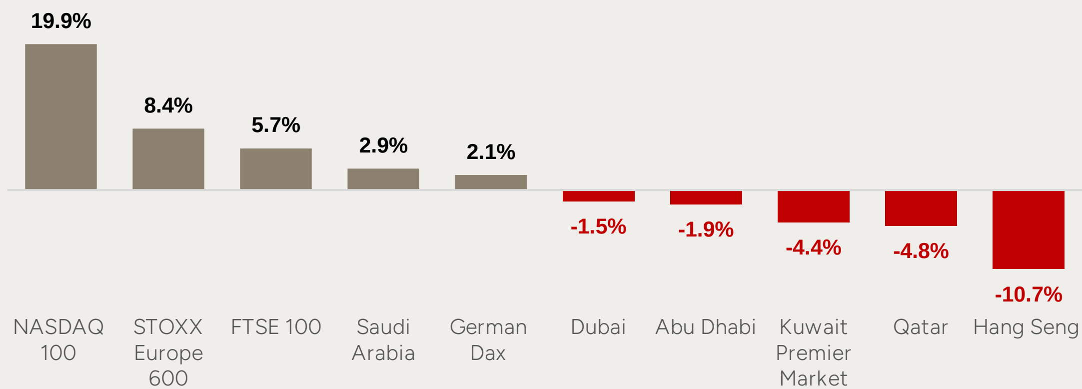
The regional equities are discounting the impact of the conflict on respective economies. The disruption in the oil sector is likely to impact government budgets negatively leading to decline in spending and domestic consumption

For instance, the Kuwait Premier market Index is down 4.4% during 1H2026, as per fitch the economy is likely to witness steep contraction in GDP during 2026 due to disruption in the oil & gas sector and key infrastructure.

Global Equity Markets Performance – Month to Date (MTD)



Global Equity Markets Performance – Year to Date (YTD)*



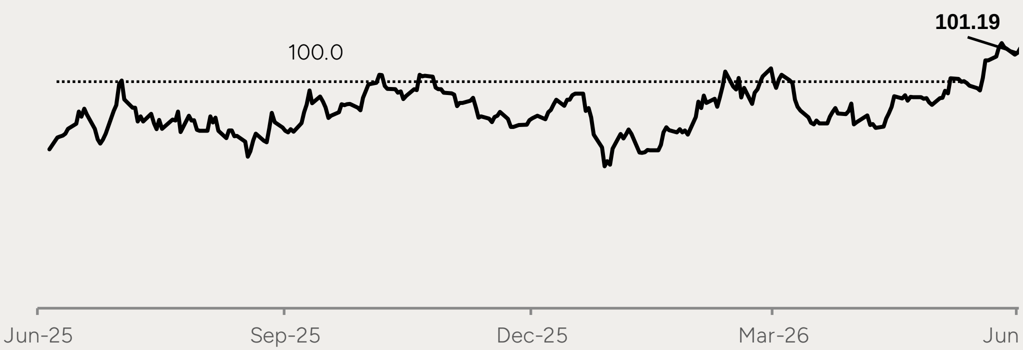
Source: Refinitiv; *Index Closing as of June 30, 2026

Commodities and Forex Overview

Commodities have posted broad based gains during 1H2026, although the month of June saw reversals lead by the energy sector.

- The monthly average price for the Brent Crude for June was USD 84.43 per barrel down 18.59% compared to previous month average price of USD 103.7 per barrel driven by the incoming positive news on the conflict.
- However, on a half yearly basis the Brent continues to remain higher, the average price during 1H2026 stood at USD 87.77 per barrel up 23.94% compared to 1H2025 average price of USD 70.81 per barrel
- Precious metals have witnessed correction in price of recent driven by hawkish monetary policy stance coupled with stronger US Dollar. However, on half yearly basis prices continue to report gains. The 1H2026 average price for Gold was USD 4,688.21 up 52.45% when compared to 1H2025 average price.
- The US Dollar Index moved up driven by strong macro fundamentals, corporate earnings and hawkish Fed .

US Dollar Index is down 0.27% on a Year-to-Date basis



Oil & Gas	Last	MTD	3M	YTD
NYMEX (USD Per Barrel)	69.50	-20.44%	-32.45%	21.04%
Brent Crude (USD Per Barrel)	72.92	-20.78%	-35.34%	19.84%
DME Oman Crude (USD Per Barrel)	64.24	-37.94%	-49.43%	4.57%
Natural Gas (USD MMBTU)	3.28	-0.46%	13.44%	-11.15%
LNG - ASIA (USD MMBTU)	15.35	-15.66%	-20.47%	59.90%
Precious Metals	**Last**	**MTD**	**3M**	**YTD**
Gold (USD Ozs)	4,022.30	-11.80%	-11.13%	-7.01%
Silver (USD Ozs)	58.18	-23.07%	-17.28%	-17.05%
Base Metals	**Last**	**MTD**	**3M**	**YTD**
Aluminum (USD/Tonne)	3,088.0	-15.78%	-9.20%	3.09%
Alu Alloy (USD/Tonne)	3,510.0	5.56%	21.03%	39.90%
Copper (USD/Tonne)	13,278.5	-2.62%	8.63%	6.89%
Tin (USD/Tonne)	50,375.0	-9.10%	7.79%	24.21%
Zinc (USD/Tonne)	3,474.5	-1.85%	9.19%	11.45%
Lead (USD/Tonne)	1,893.5	-6.08%	-0.81%	-5.84%
Nickel (USD/Tonne)	16,311.0	-14.43%	-5.51%	-2.01%
Rolled Steel (CNY/Tonne)	2,981.0	-2.21%	-3.22%	-3.70%

Source: Refinitiv, YTD as of June 30, 2026

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