Allianz Global Investors

Multi Asset Tactical View

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Views in brief: Opportunity after the AI unwind?

July was another choppy month for global equities, as renewed tensions in the Gulf overshadowed an initially stable backdrop. Markets fell after the collapse of the US–Iran ceasefire and a fresh wave of US tariffs reignited risk aversion. Emerging markets (EM) were the weakest region, while energy was the standout sector as soaring oil prices contrasted with heavy losses in technology amid renewed AI concerns. Fixed income also struggled as rising oil prices lifted inflation expectations, putting upward pressure on bond yields. After the Bank of Japan and the European Central Bank raised rates, other major central banks held steady but stayed cautious, reinforcing expectations that rates could remain elevated for longer. The US dollar finished a volatile month slightly lower, while Brent crude climbed to about USD 88 a barrel.

Even though further potential disruptions in the Strait of Hormuz and the risk of further US Federal Reserve (Fed) hikes warrant close monitoring, we remain broadly constructive on equities, as earnings revisions across all regions continue to surprise significantly to the upside. In EM, the unwinding of earlier AI-driven exuberance, combined with rapidly rising earnings expectations and still-attractive valuations, underpins our positive view on the asset class. European equities, meanwhile, stand to benefit from any renewed ceasefire, given their particularly high sensitivity to developments in the Middle East. In fixed income, we adopted a more defensive stance as inflation risks and Fed uncertainty continue to keep yields under pressure. As long as the Fed is torn between further hikes and staying on hold, bond markets are likely to stay trapped in a frustrating trading range. In FX, we retain a tactically mildly positive stance on the US dollar, supported by relatively higher rates, although positioning appears crowded. In commodities, we became more constructive, mainly due to heightened geopolitical risks. While we have upgraded gold on fundamental factors – retail ETFs seem to be buyers again – the more quantitative factors continue to weigh on the yellow metal price.

Tactical asset allocation views summary

These views reflect a short-term time horizon showing the direction and conviction of the team's analysis based on both fundamental and systematic indicators. These views are independent of individual portfolio construction considerations.

	Asset class	Index Return% 1mo	3mo	6mo	Asset Class View (Cautious – Constructive)	Views summary
Broad Asset Classes	Global equities	0.2	4.9	8.8		Broad earnings strength supports equities, while AI, Fed and Hormuz uncertainty limits upside
	Global sovereign	-0.7	-1.4	-2.6		Inflation fears drove the sell-off; a hawkish bias may persist unless data improves
	Commodities	3.6	-5.1	0.1		Strait of Hormuz disruption and a softer US dollar continue to support metals in particular
	Currencies (USD)	-1.3	1.2	1.6		US rates and safe-haven demand underpin the USD, despite crowded positioning
Equities	US equities	-0.1	4.1	8.4		AI investment and robust earnings revisions support upside, though valuations limit conviction
	Euro zone equities	0.6	9.1	8.7		Strong technicals and improving earnings favour Europe, led by banks and resources
	Japanese equities	0.2	7.6	13.4		Supported by stronger earnings revisions, policy support and a durable technical breakout
	Emerging markets	-3.1	4.8	10.3		South Korean and Taiwanese chip earnings remain strong despite the recent loss of momentum
Fixed Income	US treasuries	-1.1	-0.7	-0.7		Inflation risks and Fed uncertainty keep pressure on yields if energy prices stay higher for longer
	UK gilts	-1.7	0.9	-1.5		Weaker economic activity supports BoE patience; gilts offer value if fiscal policy remains credible
	Euro zone sovereign	-1.6	-0.2	-1.1		Inflation sensitivity remains high, though valuations provide support
	US high yield	-0.2	0.5	1.2		Remains resilient; spreads should absorb shocks unless geopolitical tensions escalate further
	EM fixed income (USD)	-1.4	0.3	1.2		Fundamentals remain supportive, though higher US yields and tight spreads limit upside
Commodities and currencies	Oil	22.6	-9.9	56.0		Renewed Strait of Hormuz problems have reignited supply concerns
	Copper	3.7	8.1	7.9		Power grid investment supports demand while supply constraints continue to underpin prices
	Gold	0.6	-12.4	-14.4		Negative momentum, while a softer USD continues to support gold prices
	USD vs. EUR	-0.8	2.2	3.6		Hawkish Fed pricing outweighs increasingly oversold conditions
	GBP vs. EUR	0.9	1.3	2.1		Yield support favours sterling despite lingering political and fiscal uncertainty
	USD vs. JPY	-2.9	1.3	3.2		Policy divergence and aggressive Japanese fiscal expansion reinforce a positive carry

KEY: Blue = Equities, Dark Grey = Fixed Income, Orange = Commodities, Light Grey = Currencies

See overleaf for sources.

Source: Bloomberg Finance L.P.; data as of 31 July 2026. Past performance does not predict future returns. Global equities are represented by MSCI World Net Total Return Local Index (USD), Global sovereign FTSE World Government Bond Index - Developed Markets in USD terms (USD), Commodities by Bloomberg ex-Agriculture & Livestock Capped 6 Month Forward Index (USD), Currencies (USD) by Bloomberg Dollar Spot, US equities by S&P 500 Net Total Return Index, Euro-zone equities by EURO STOXX 50 Net Return Index (EUR), Japanese equities by TOPIX Net Total Return Index (JPY), Emerging markets by MSCI Emerging Net Total Return USD Index (USD), US treasuries by Bloomberg US Govt Total Return Value Unhedged USD Index (USD), UK gilts by J.P. Morgan GBI UK Unhedged LOC Index (GBP), Euro-zone sovereign by J.P. Morgan EMU Investment Grade - Unhedged EURO Index (EUR), US high yield by Bloomberg Bloomberg US Corporate High Yield Total Return Index (USD), EM fixed income by J.P. Morgan EMBI Global Diversified Composite Index (USD), Oil by Bloomberg WTI Crude Oil Subindex Total Return (USD), Copper by Bloomberg Copper Subindex Total Return (USD), Gold by Bloomberg Gold Subindex Total Return (USD), USD vs. EUR by the USD-EUR Carry Return, GBP vs. EUR by the GBP-EUR Carry Return, and USD vs. JPY by the JPY-USD Carry Return.