

Commentary on the Financial Markets

04/26

Geopolitical shock and return of energy insecurity

The past month has been defined by a sharp change in sentiment on the financial markets. While February ended in the spirit of "cautious optimism" and a rotation from technology stocks to value stocks, March brought **a sharp escalation of tensions in the Middle East**. The conflict over the Strait of Hormuz caused a shock to the oil market, which overshadowed the ongoing debates about interest rates.

1. Stock markets: Marked by high volatility and divergent prices

US indices (S&P 500 and Nasdaq) showed high volatility in March. While the technology sector faced pressure due to high valuations, re-evaluation of the benefits of AI and, last but not least, the geopolitical situation, energy companies, on the other hand, strengthened significantly. Investors also began to retreat to "safe havens", which was felt by emerging markets, among others.

2. Commodities and currencies: Oil in the lead role

Oil (both Brent and WTI) recorded one of the busiest months in history, with monthly growth of over **50%**. Prices have come dangerously close to **USD 120 per barrel**, raising fears of a new inflation wave.

1. **Gold:** Otherwise safe commodities such as gold also declined, mainly due to the strengthening US dollar.
2. **Currencies:** The US dollar benefited from a flight to safe assets, while the Czech koruna (CZK) faced pressure due to concerns about the impact of expensive energy on European industry.

3. Monetary policy and inflation

At its March meeting, the CNB left rates at **3.5%**. Although domestic inflation showed signs of stability below 2%, the threat of imported inflation through fuel prices is forcing central bankers to engage in hawkish rhetoric. The Fed in the US is in a similar situation – the markets have practically stopped believing in an early rate cut.

Scenarios for future development

Scenario A: De-escalation and soft landing (45% probability)

If the blockade in the Persian Gulf can be lifted diplomatically, the price of oil will quickly return below USD 90. Inflationary pressures will ease, allowing central banks to cut rates cautiously in the second half of the year. In this case, stock markets would experience a relief rally, again led by the technology sector. The likelihood of this scenario is currently increasing after US President Donald Trump hinted at a possible early end to the conflict with Iran.

Scenario B: Stagflationary freeze (40% probability)

The conflict will remain "frozen" with occasional escalations. Energy prices will remain high for the long term (USD 100-130 per oil), which will start to stifle economic growth (stagnation) with increased inflation at the same time. Stock markets will stagnate in a broad sideways trend, with investors preferring defensive sectors (utilities, healthcare, consumer goods).

Scenario C: Energy crisis 2.0 (15% probability)

A complete and long-term closure of key transport arteries will drive oil above \$170. This would trigger a global recession and force central banks to take drastic action. In this scenario, a deep correction in the stock markets (a decline of 15-20%) and the dominance of cash, gold and short-term government bonds can be expected.

The probabilities of scenarios A and B are currently quite balanced. Further short-term fluctuations in stock and bond markets cannot be ruled out, as movements can be very sharp and fast at the same time. We see higher volatility as an opportunity to open new strategic positions, but also to make short-term position trades. We spread our purchases over time. We leave room for further purchases at possible lower prices, which cannot be ruled out in such a turbulent environment.

RIS funds are characterized by a sophisticated and widely diversified portfolio structure. In the bond segment, we place emphasis on highly liquid government bonds, which are strategically complemented by high-quality corporate issues. On the equity side, we implement global diversification across key geographies and sectors, optimizing the risk-return ratio. A carefully calibrated initial allocation with an emphasis on diversification, asset quality and liquidity is a fundamental pillar of portfolio robustness. This approach enables our funds to effectively manage the volatility of financial markets and maintain stability even in challenging market conditions.

Summary:

1. High volatility is a common part of financial markets ==> this is not uncommon.
2. The portfolios of RIS funds are broadly diversified, concentration risks on issuers, markets or sectors are set at the very beginning and then monitored on a daily basis ==> higher resilience to volatility.
3. We invest in liquid instruments ==> stability even in challenging market conditions.
4. We are active, we use market declines to buy new long-term positions, but also for short-term position trades ==> volatility as an opportunity.
5. We do not panic about short-term fluctuations. Investing is a marathon, not a sprint. We keep in mind our financial goals and the strategy we have

set ==> we stick to a long-term plan.

6. We avoid impulsive decisions. Emotions such as fear or greed can lead to losing trades ==> time wins in the market in the long run.

Transactions in RIS funds

The increase in volatility was reflected in a decline in the prices of the main stock indices, and the fear of rising inflation also affected the bond part of the portfolios. At the same time, however, this situation is conducive to the purchase of strategic positions, as well as positional, short-term trades. In total, more than 90 trades in gold miners' ETFs across funds fall into this category. In the second half of the month, ETFs focused on the US stock market were purchased on selected funds. On the bond side of selected portfolios, after the fall in prices, Czech government bonds with maturities of 2029, 2030, 2031 and also 2033 were purchased.

Investment Strategy

We remain overweighted by stocks versus bonds. Regionally, we weigh North America, the Pacific and Emerging Markets, we underweigh Europe. In sectors, we overweigh growth sectors such as technology, communications, industrials, finance and dividend stocks. In bond strategies, we maintain a slightly overweighted duration on koruna and euro bonds and an underweighted duration on US dollars.

We wish you a lot of success in the next period!

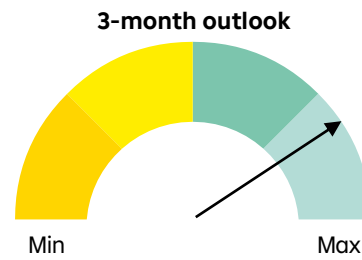
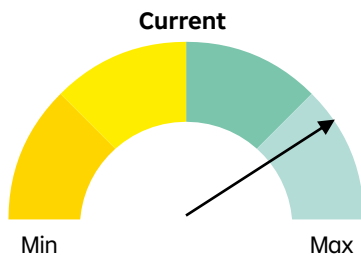


Michal Ondruška
CIO, Member of the Board

Investment Strategy Summary

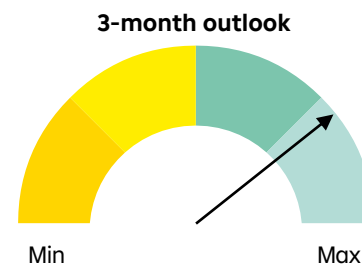
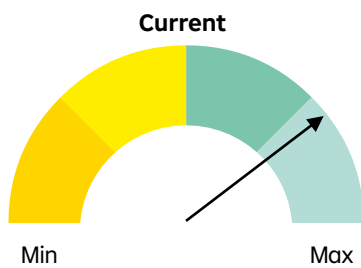
Tactical Allocation

Overweighting of stocks in portfolios



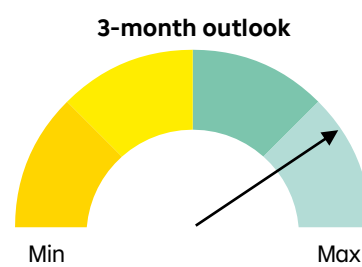
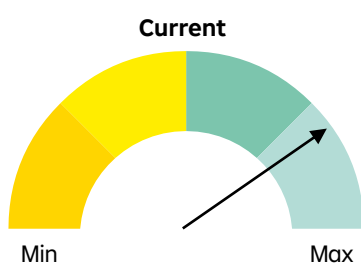
Interest Rate Risk

Average duration of bonds



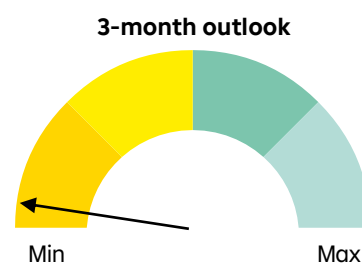
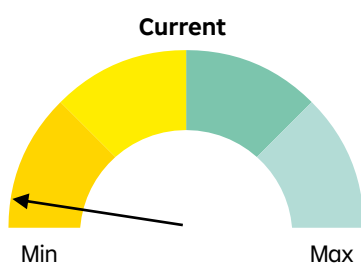
Credit Risk

Share of corporate bonds



Currency Risk

Unhedged positions in foreign currency



Disclaimer:

All opinions, information, and any other data contained in this document are for informational purposes only, non-binding, and represent the opinion of Raiffeisen Investment Company a.s. ("RIS"). Unless otherwise stated, the source of information is the Bloomberg system or RIS.

The information in this document is based on publicly available sources that RIS considers reliable, but the information has not been verified by independent third parties. Despite taking all due care to ensure the accuracy of the information provided, impartiality, and appropriateness of the statements, RIS does not guarantee or assume responsibility for the timeliness, completeness, and accuracy of the content of this document.

References to documents of other entities do not imply that RIS endorses, recommends, or approves of these documents. The statements in this document are the author's opinion as of the date of issuance of this document, may not necessarily reflect the views of RIS, and may be changed without prior notice.

RIS is not responsible for any losses or damages that may arise in connection with the use of this publication. This document does not constitute an offer to buy or sell any financial asset or other financial instrument.

Before making any investment decision, it is the responsibility of each investor to obtain detailed information about the intended investment or trade. RIS is not responsible for any

damages or lost profits caused by any third parties' use of the information and data contained in this document.

RIS points out that providing of the investment service Asset Management of RIS funds, is associated with a number of risk factors that may affect the profitability or loss of the investment. Investments are not bank deposits and are not insured under the deposit insurance fund. The higher the expected return, the higher the potential risk. The duration of the investment also affects the level of risk. The return also fluctuates due to fluctuations in exchange rates and interest rates.

The value of the invested amount and the return on it may increase or decrease, and the return of the originally invested amount is not guaranteed. Past or expected performance does not guarantee future performance. Due to unpredictable fluctuations and events in financial markets and the risk of investment instruments, the achievement of the client's investment goal may not be guaranteed.

The returns from investments must be reduced by the remuneration and costs of RIS agreed upon in the contractual documentation, or by the remuneration and fees specified in the RIS remuneration and fees schedule. The taxation of client's assets always depends on the client's personal circumstances and may change. RIS does not provide tax advice, and therefore, the responsibility associated with the tax consequences of investments remains fully with the client. The offer of investment services may not be presented to a client defined as a US person.

Information about Raiffeisen investiční společnost a.s.

Raiffeisen investiční společnost a.s. is an investment company based at Hvězdova 1716/2b, Prague 4, with registration number (IČO) 29146739. It is registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File No. 18837. The supervisory authority overseeing Raiffeisen investiční společnost a.s. is the Czech National Bank.

The information provided in the document is accurate as of April 1st, 2026. However, please note that this information may change in the future, and Raiffeisen investiční společnost a.s. is not obligated to inform the recipients of the document about such changes.

Raiffeisen investiční společnost a.s. reserves the right to act based on the information or conclusions contained in this publication even before the publication is distributed to others.

This publication is protected by copyright owned by Raiffeisen investiční společnost a.s. It may not be copied, distributed, partially or in full, provided, or transmitted to unauthorized recipients. By accepting this publication, the recipient agrees to comply with the aforementioned restrictions.

