



do your thing

# Economic and Financial Outlook S1 2026

05/12/2025

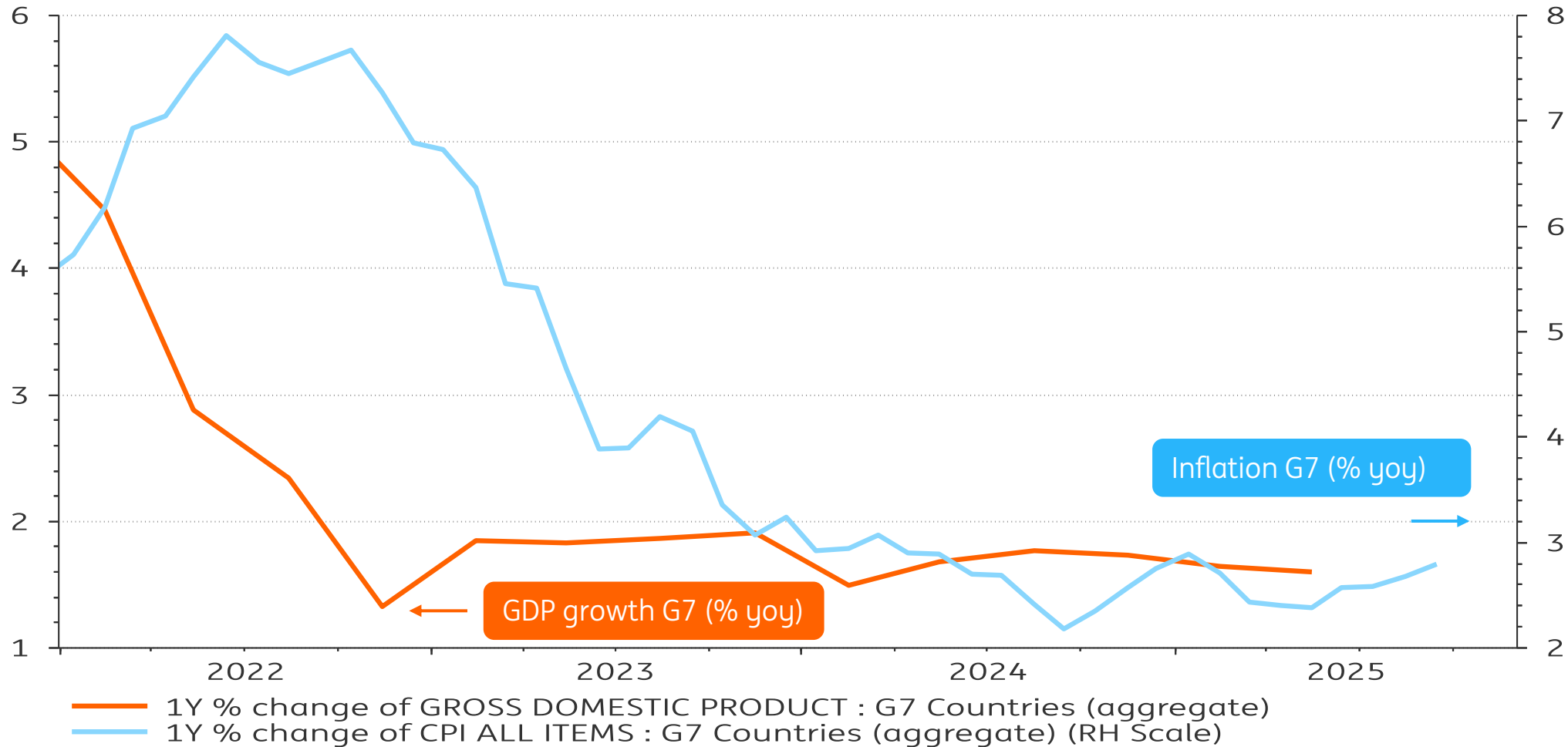


**Economic Outlook:  
Continuing moderate growth**





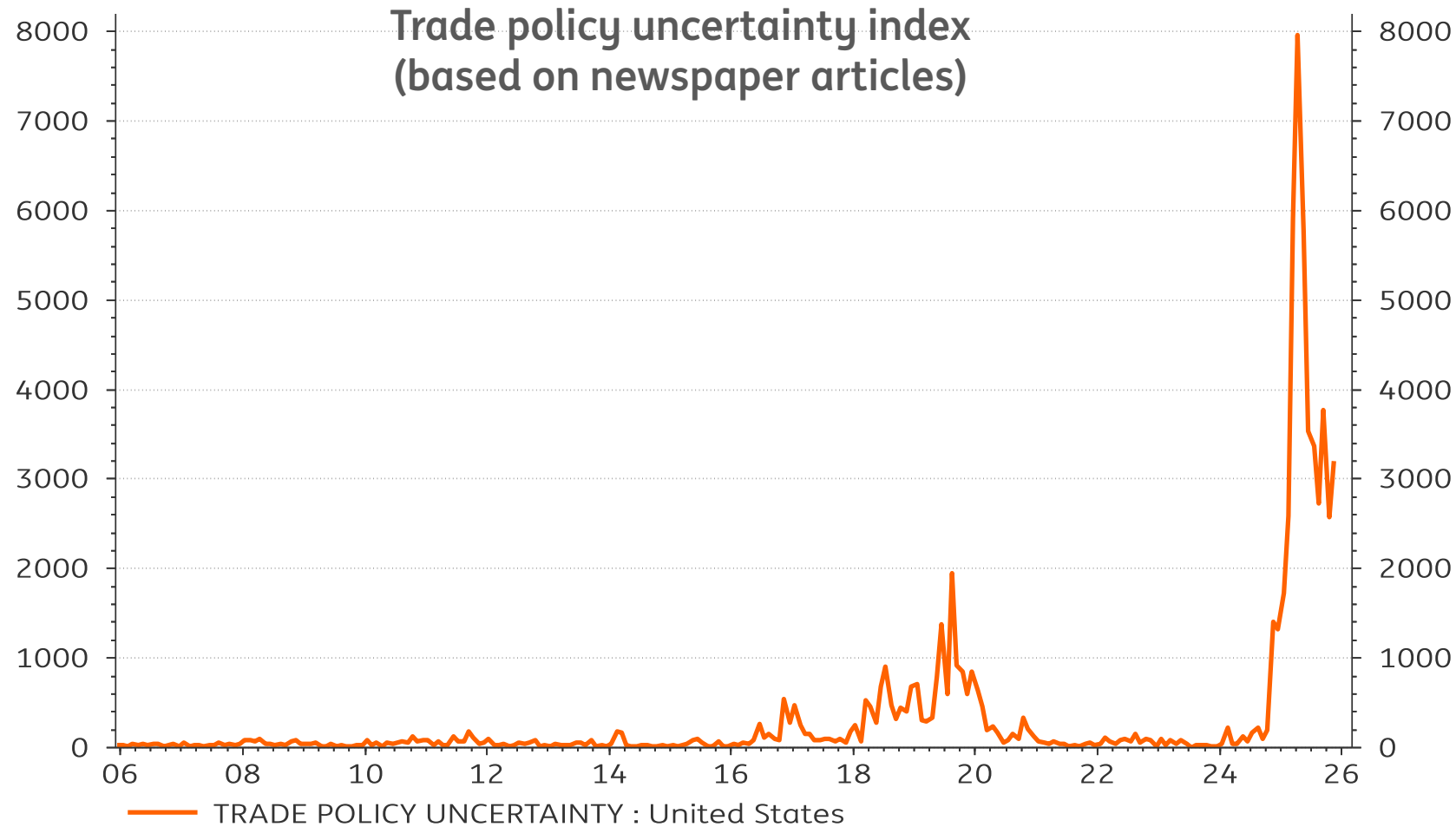
# Moderate growth and inflation in 2025 (despite shocks)



Source: LSEG Datastream, ING Economic Research



# Trade uncertainty has been somewhat reduced



Source: LSEG Datastream, ING Economic Research

The US import tariffs  
could cost the EU  
0.33% GDP over the  
next two years

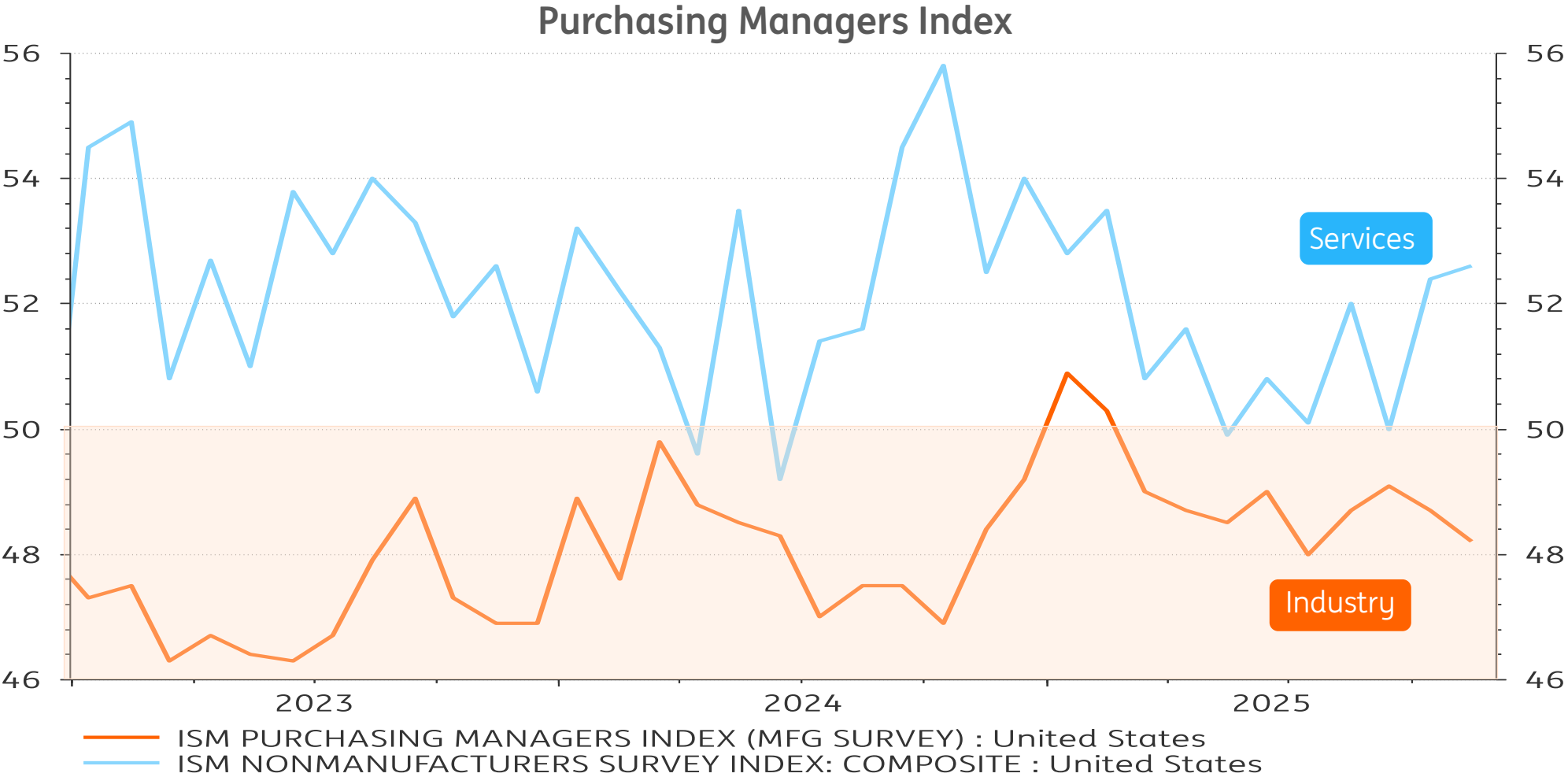


# How big is the impact on the US economy?





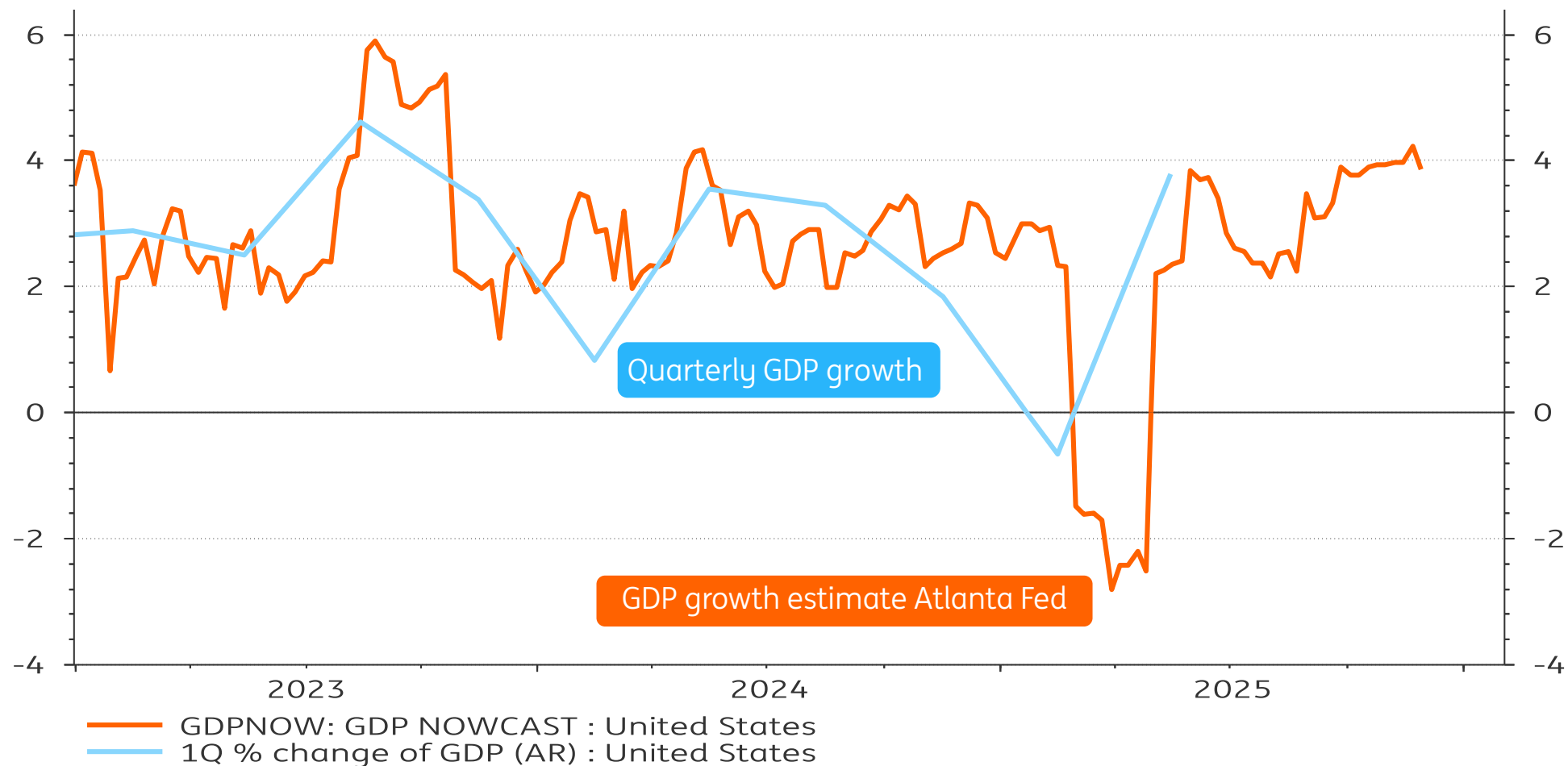
# Confidence in the US manufacturing sector has fallen since “Liberation Day”



Source: LSEG Datastream, ING Economic Research



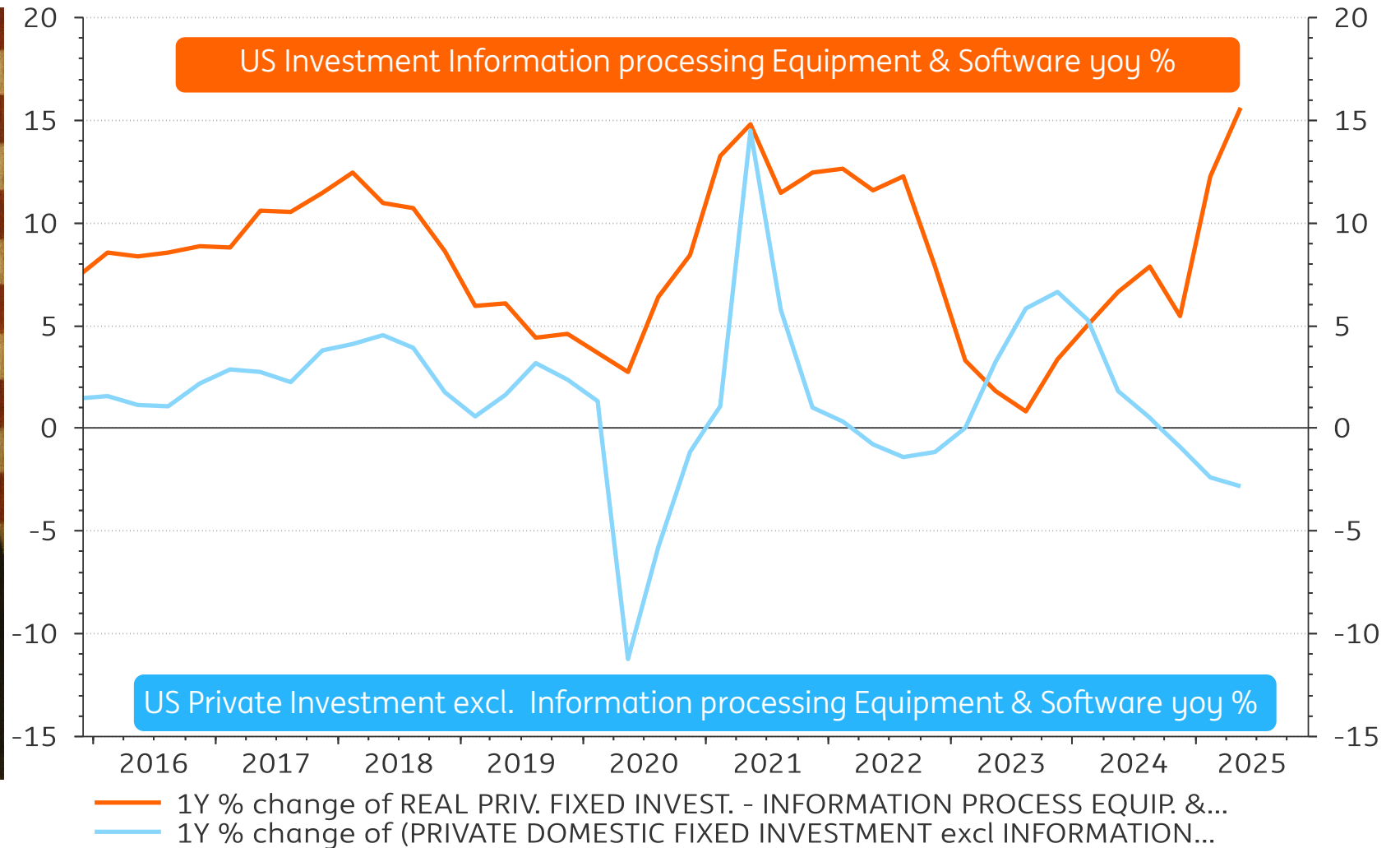
# US GDP growth in Q3 still very strong



Source: LSEG Datastream, ING Economic Research



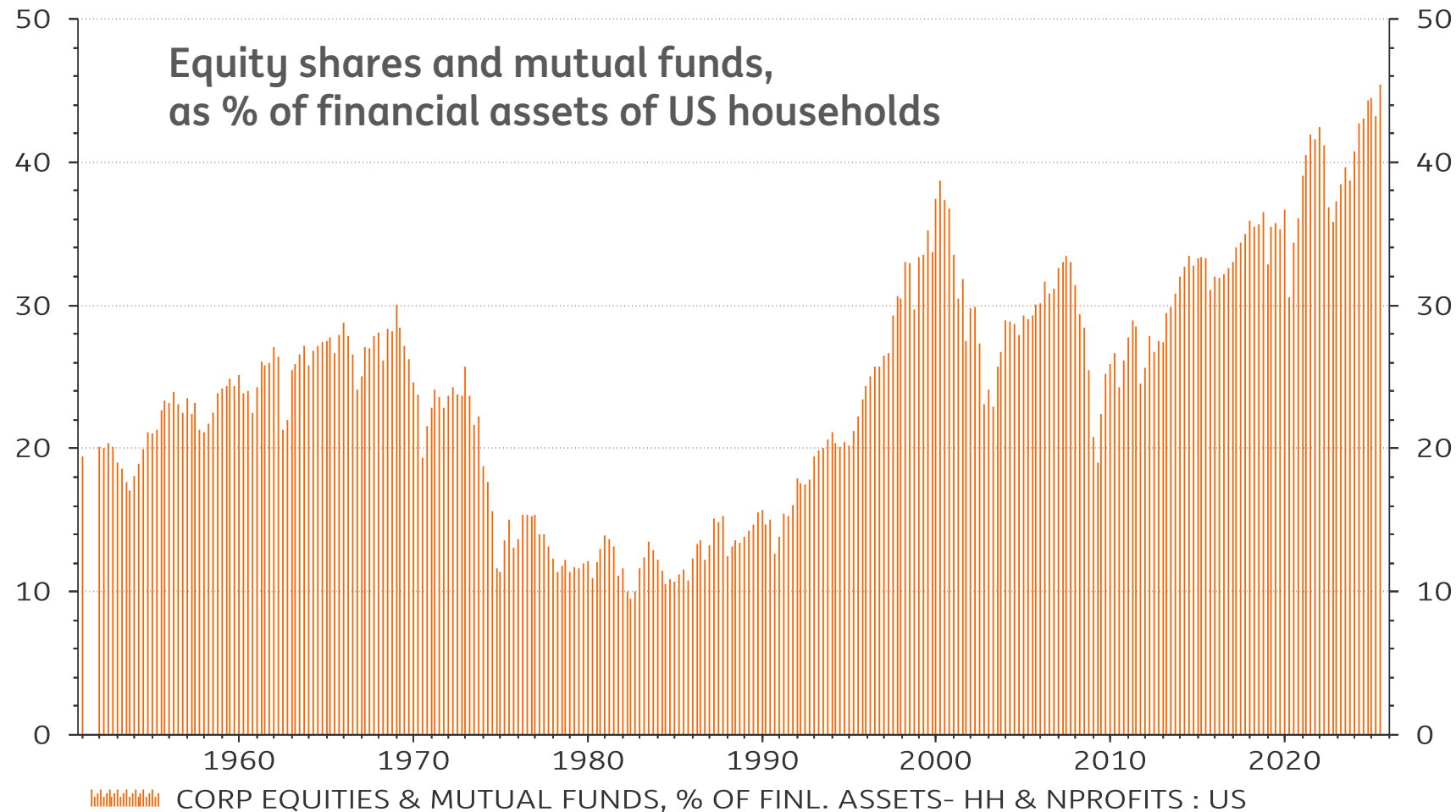
# A two-faced economy



Source: LSEG Datastream, ING Economic Research



# The weight of equities in US households' financial assets has risen strongly, increasing the “wealth effect”



Source: LSEG Datastream, ING Economic Research

A 10% increase in the stock market can lead to 0.3% to 0.5% additional consumption

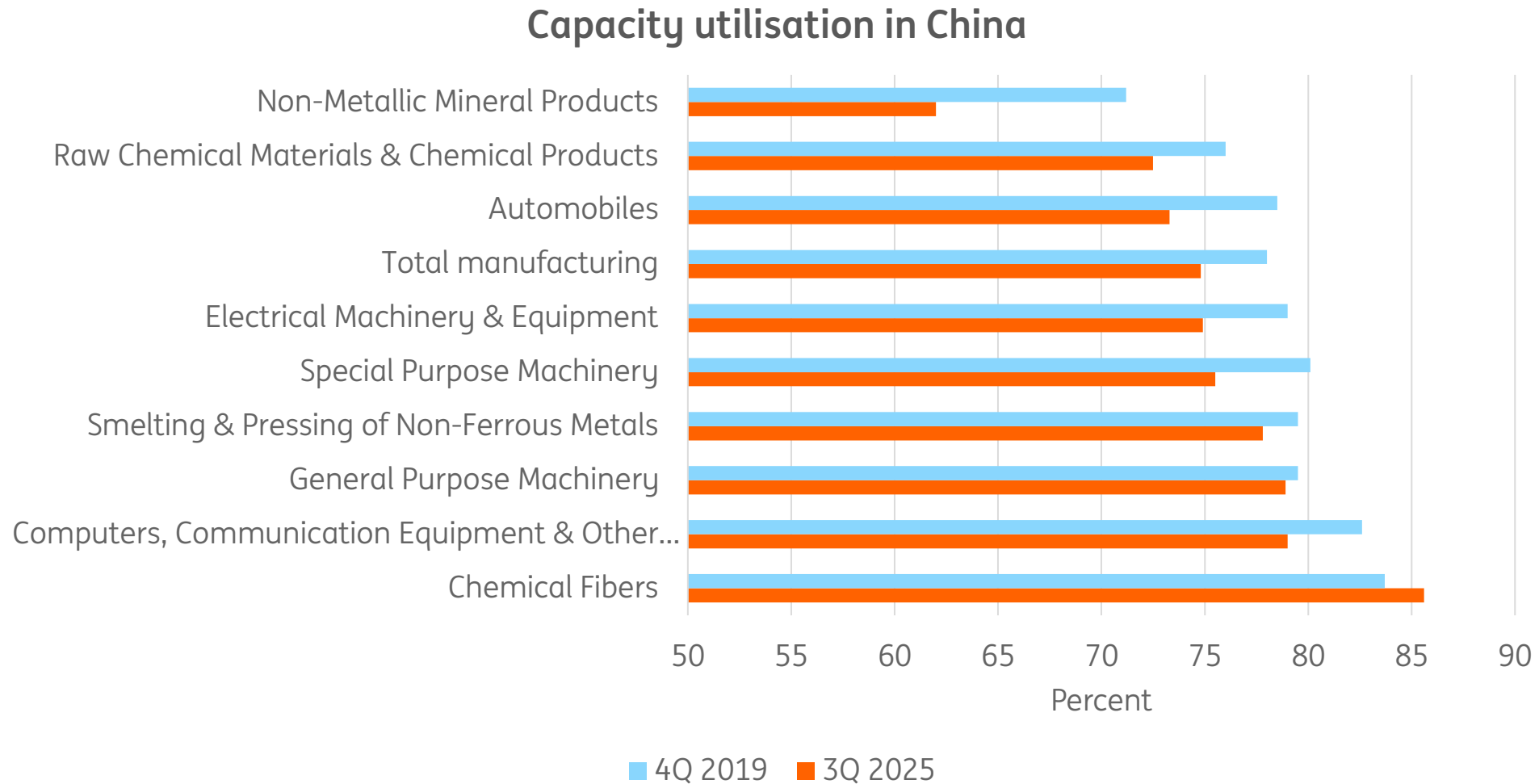


# China Shock 2.0



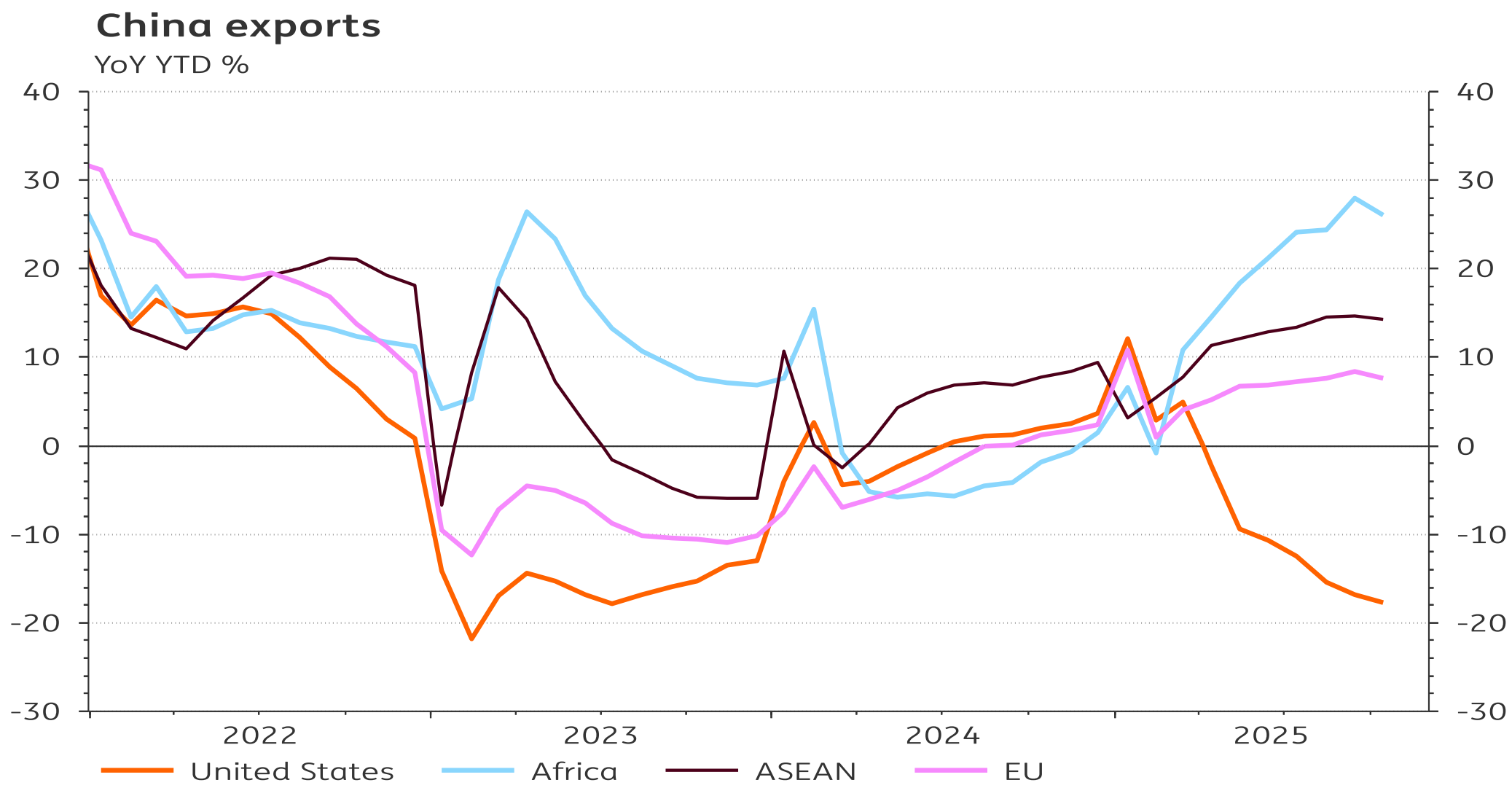


# China has seen capacity in industry increase, while domestic demand remains weak





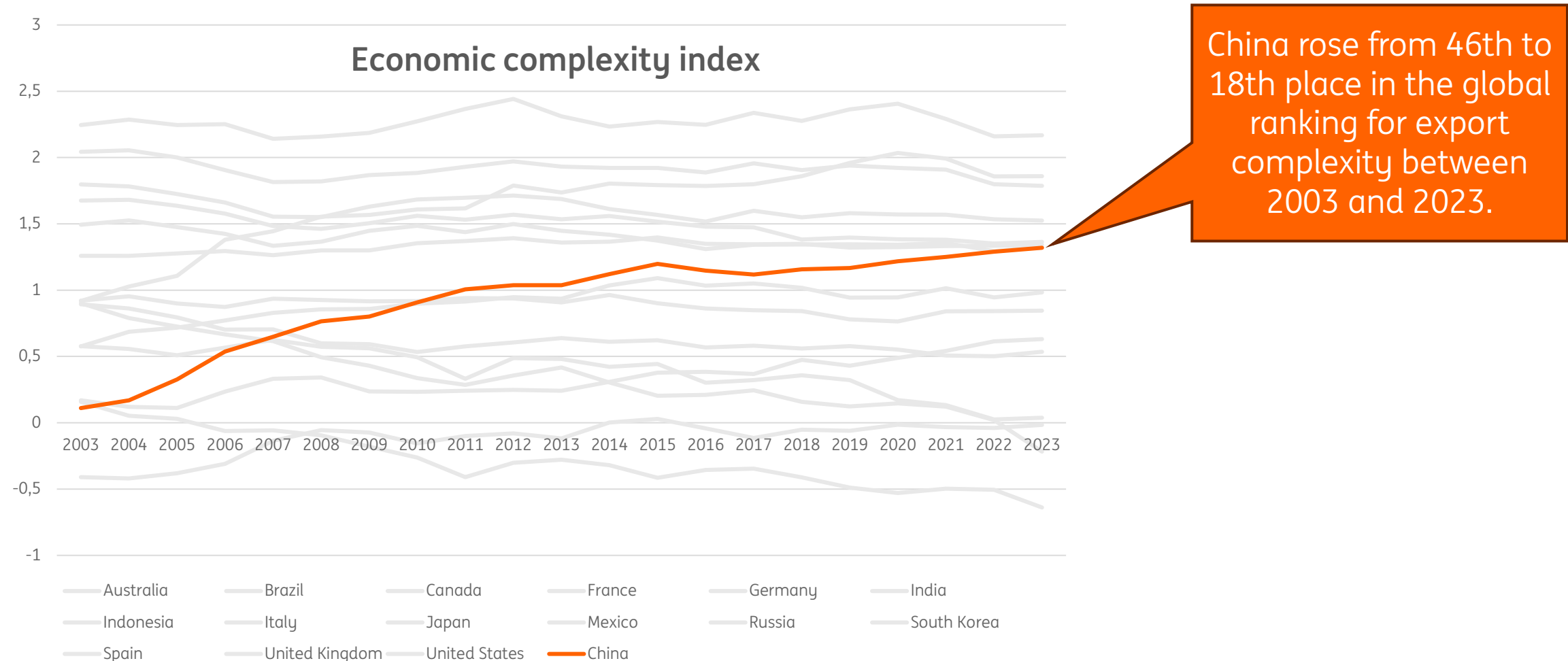
# Chinese export destinations have changed



Source: LSEG Datastream, ING Economic Research



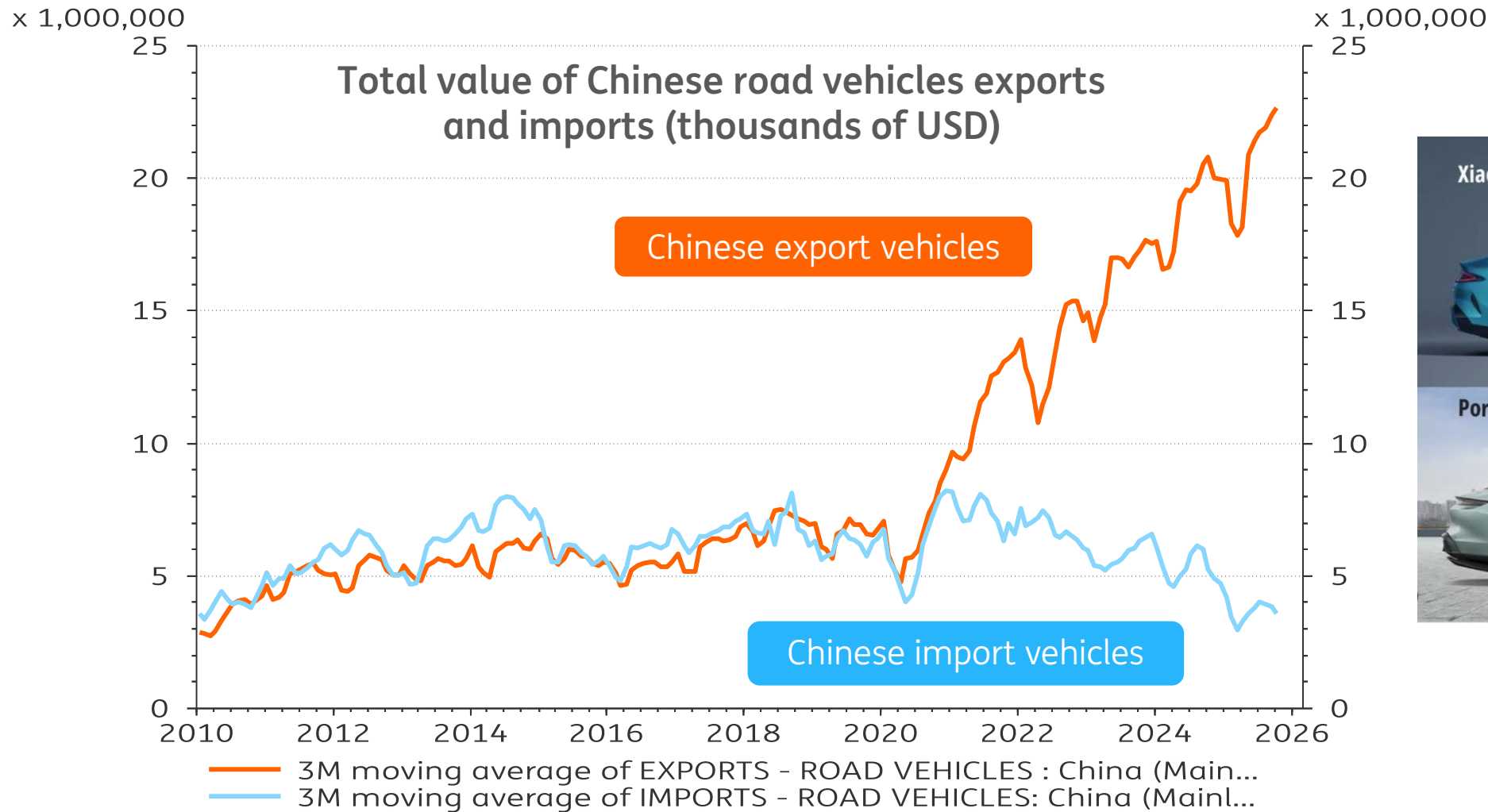
# China is moving up the manufacturing value-added ladder



Source: Economic complexity index, ING Economic Research



# Chinese export of durable goods has become more important



Source: LSEG Datastream, ING Economic Research



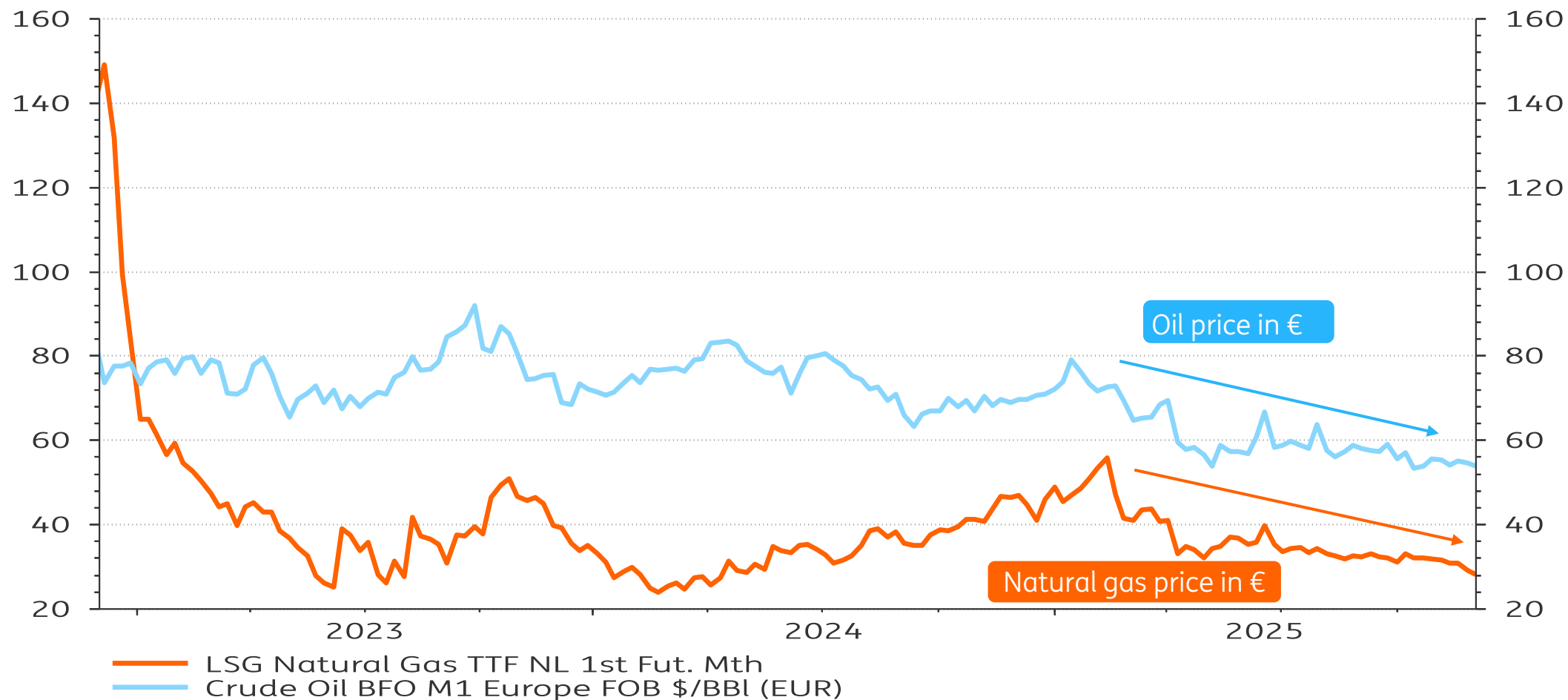


# Eurozone: in search of new dynamism





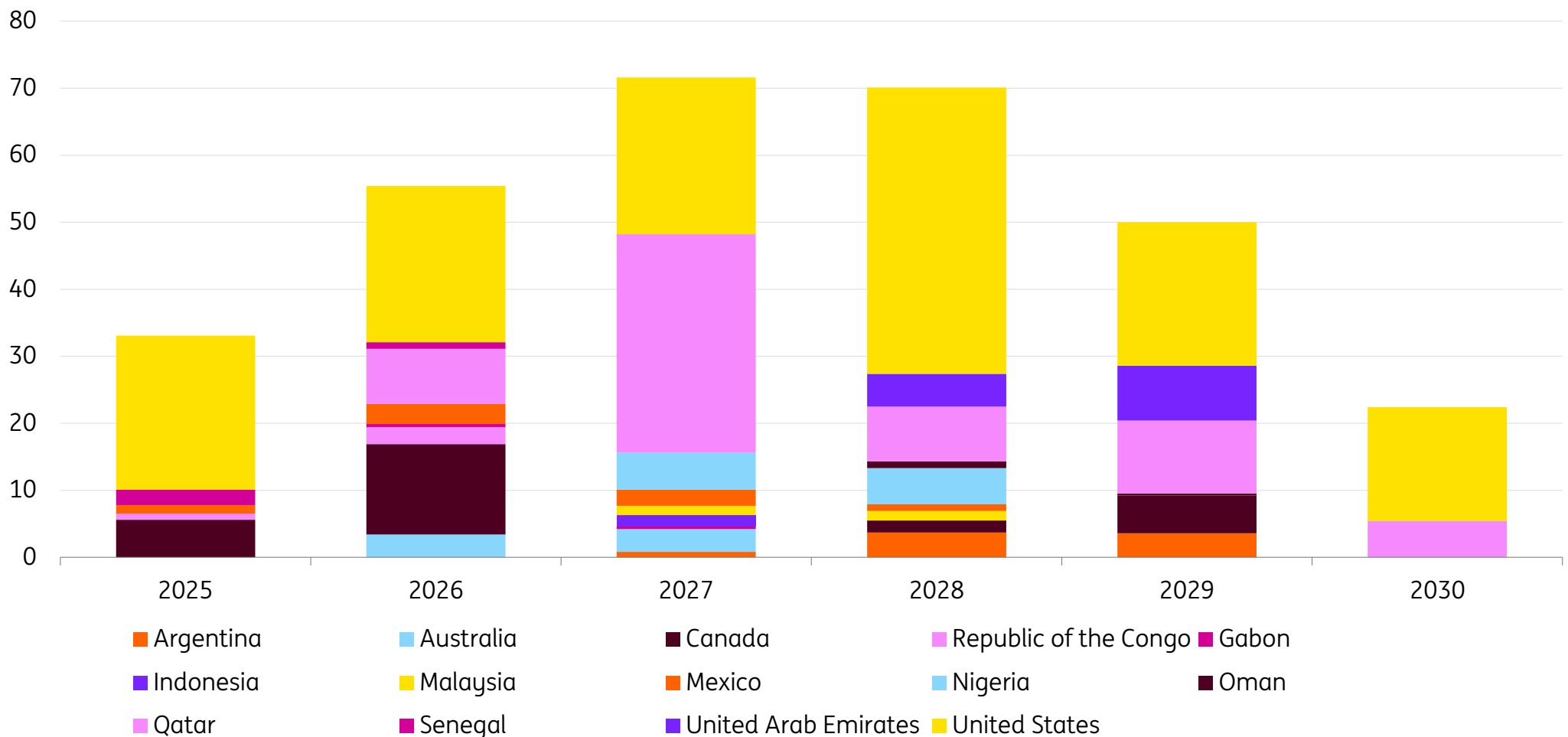
# Lower energy prices might bring some relief



Source: LSEG Datastream, ING Economic Research



# Annual LNG liquefaction capacity additions in bcm/year (2024 capacity 660 bcm/year)

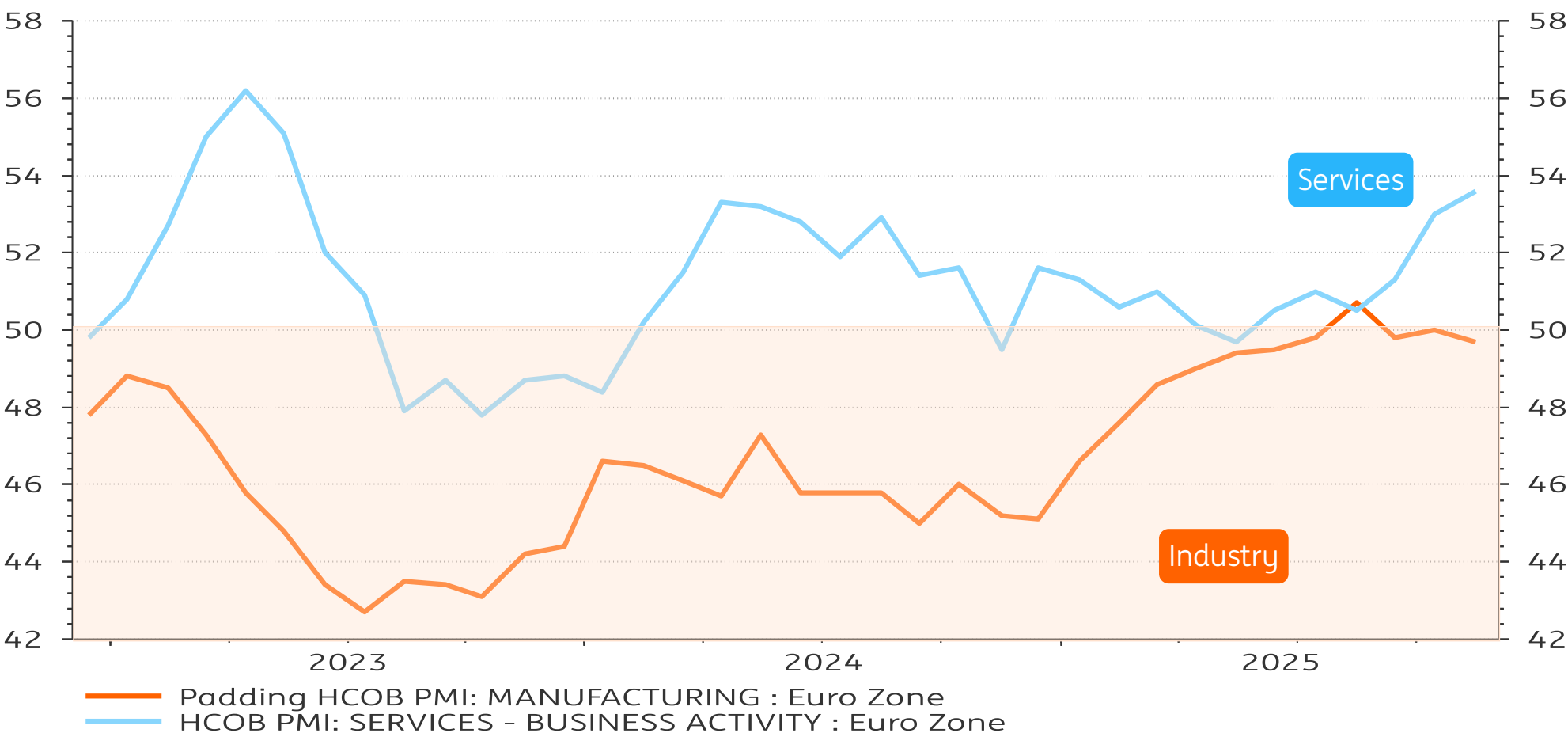


Source: IEA



# Confidence indicators improved (slightly) in the eurozone

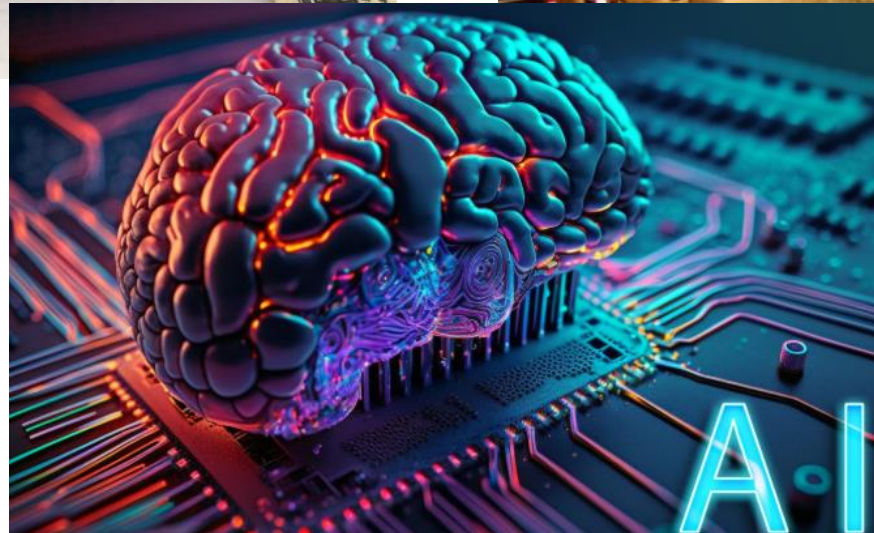
## Purchasing Managers Index



Source: LSEG Datastream, ING Economic Research



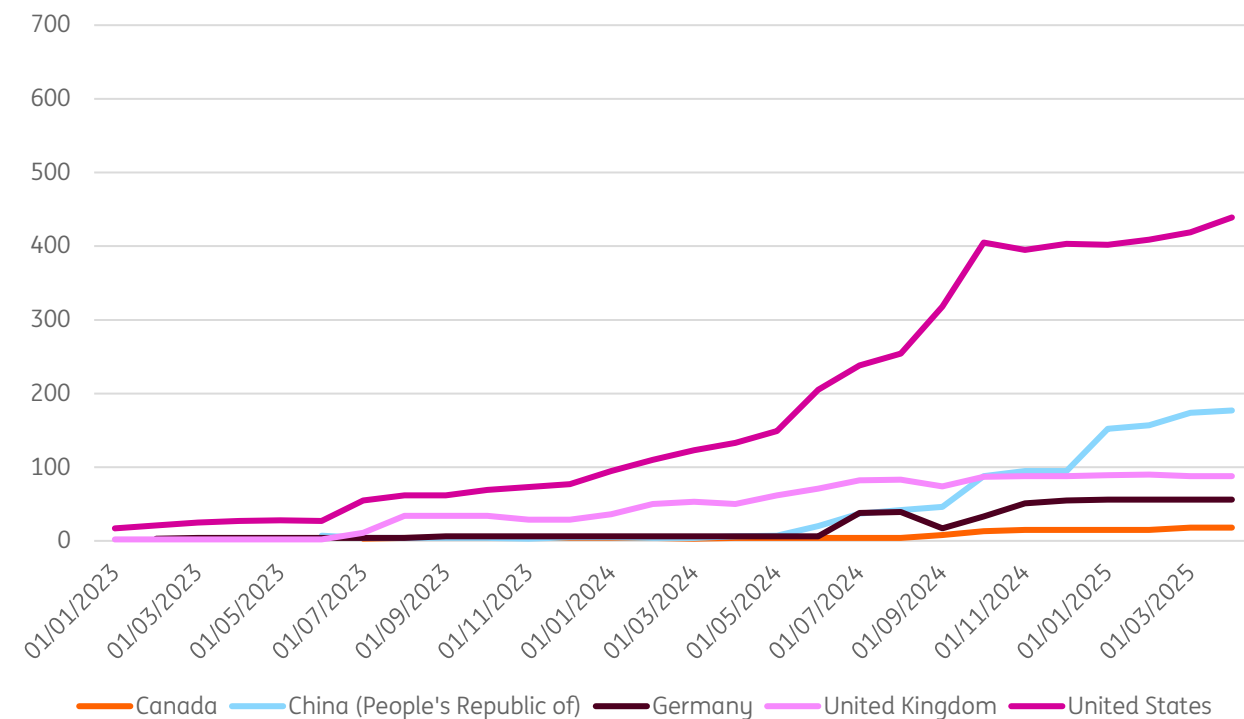
# Other growth drivers



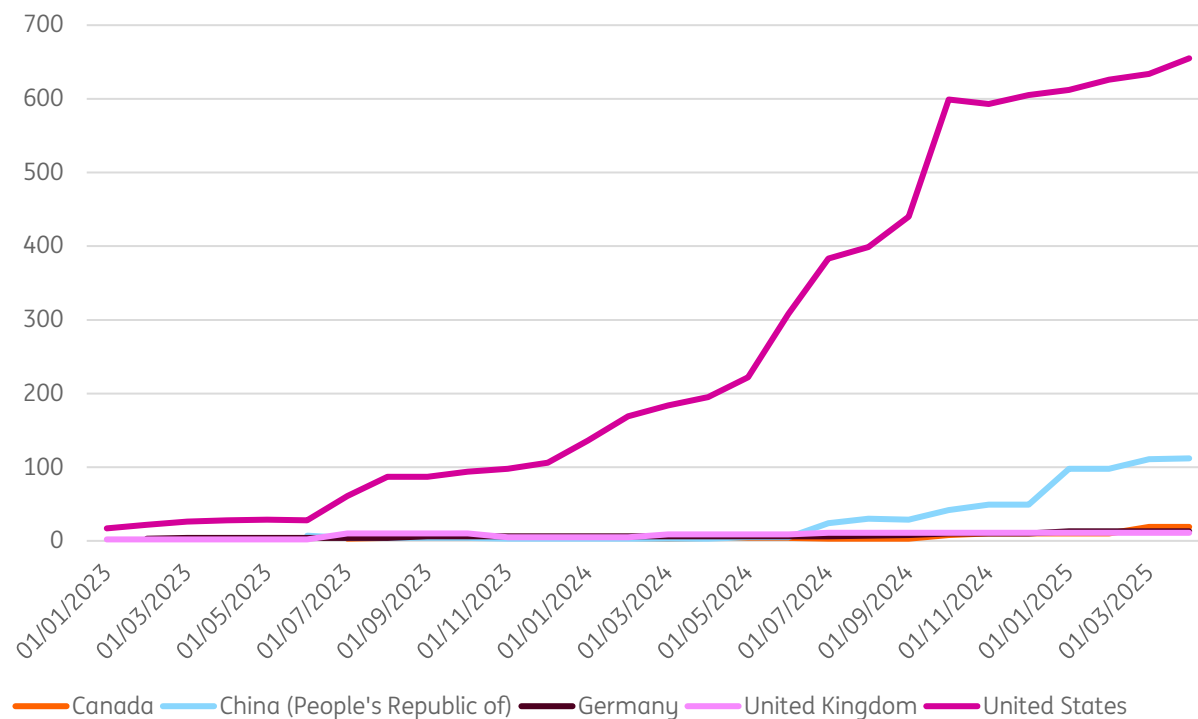


# AI models are mainly developed in the US, but even more so hosted, showcasing its infrastructure lead

## No. of AI models by development country



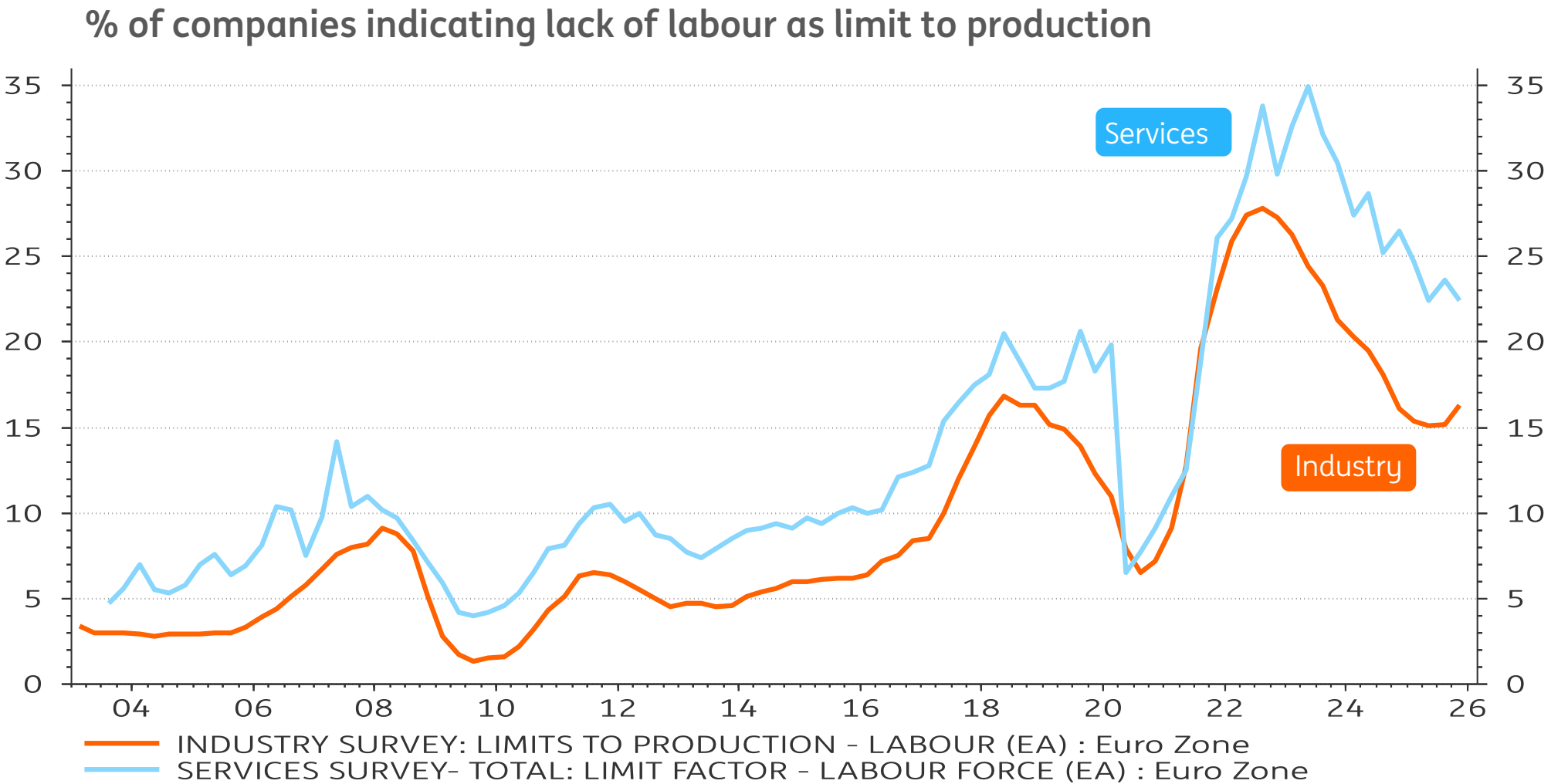
## No. of AI models by host country



Source: oecd.ai, ING economic research



# Demographic trends keep labour market tight

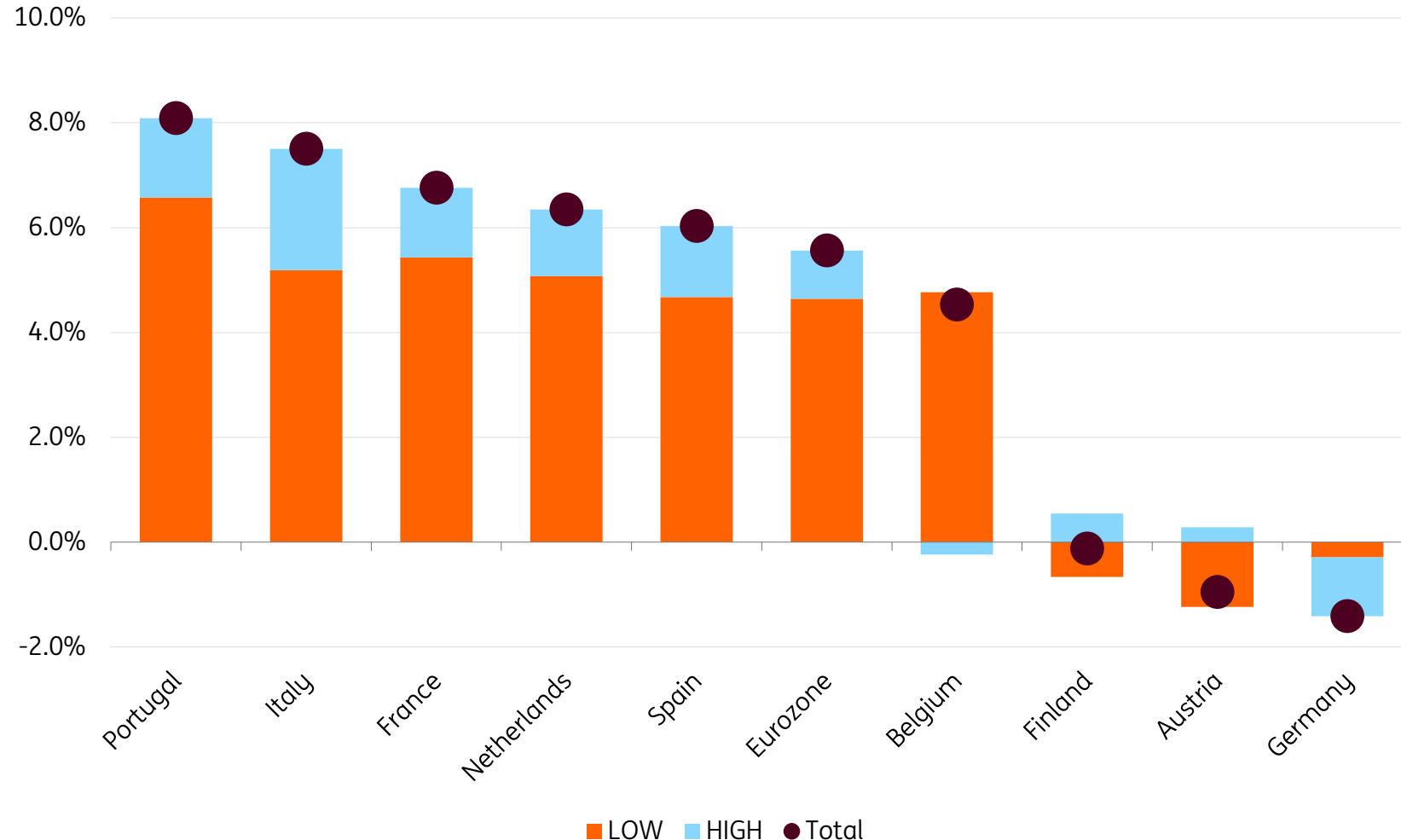


Source: LSEG Datastream, ING Economic Research



# More high productivity jobs are needed

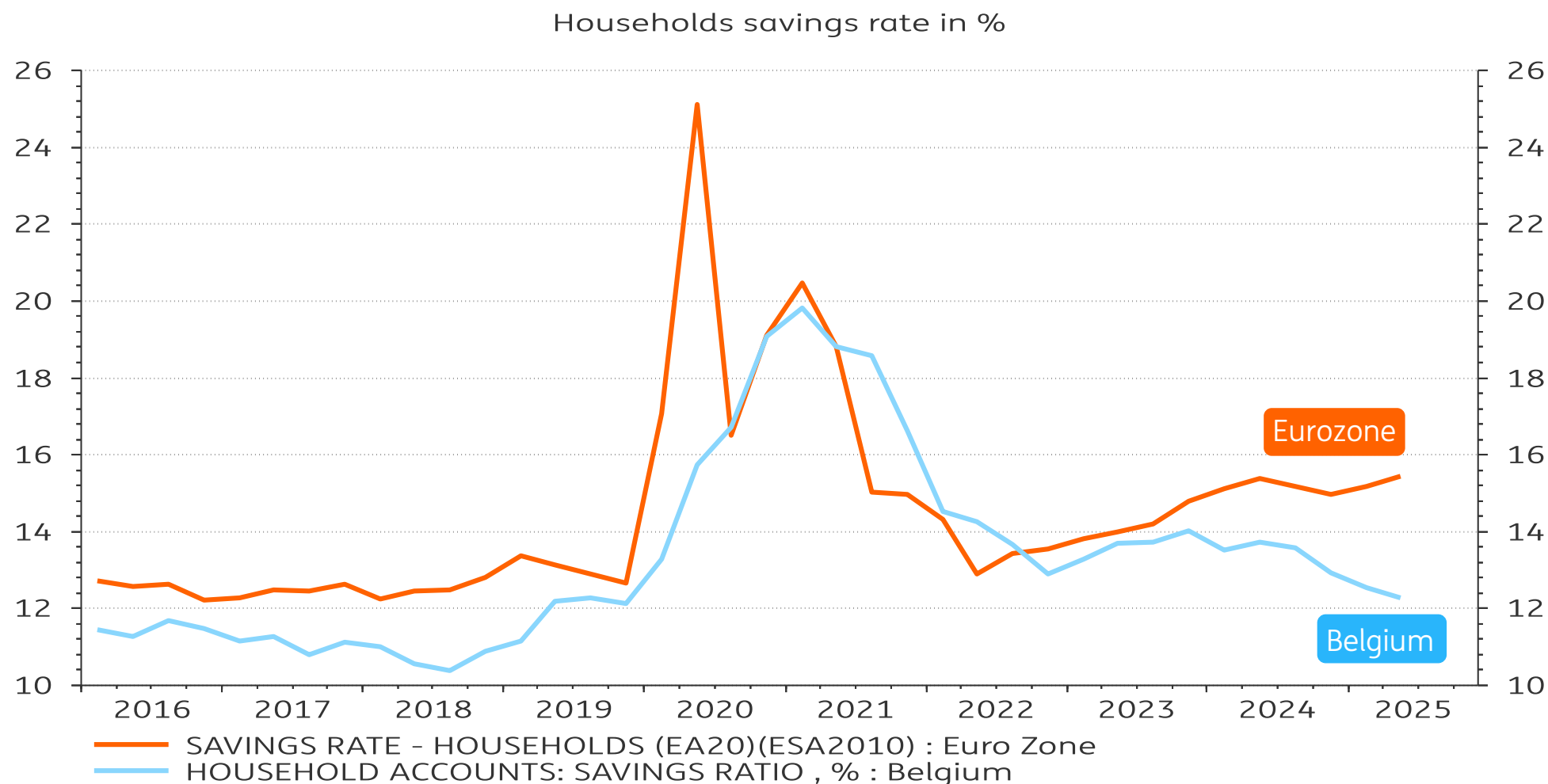
Evolution of hours worked between 2019 and 2025 and contribution of sectors with lower-than-average productivity (LOW) and sectors with higher-than-average productivity (HIGH)



**Austria** and **Finland** are the two only countries in this sample where composition effect pushed up total productivity



# Belgian consumers outspent the rest of the eurozone

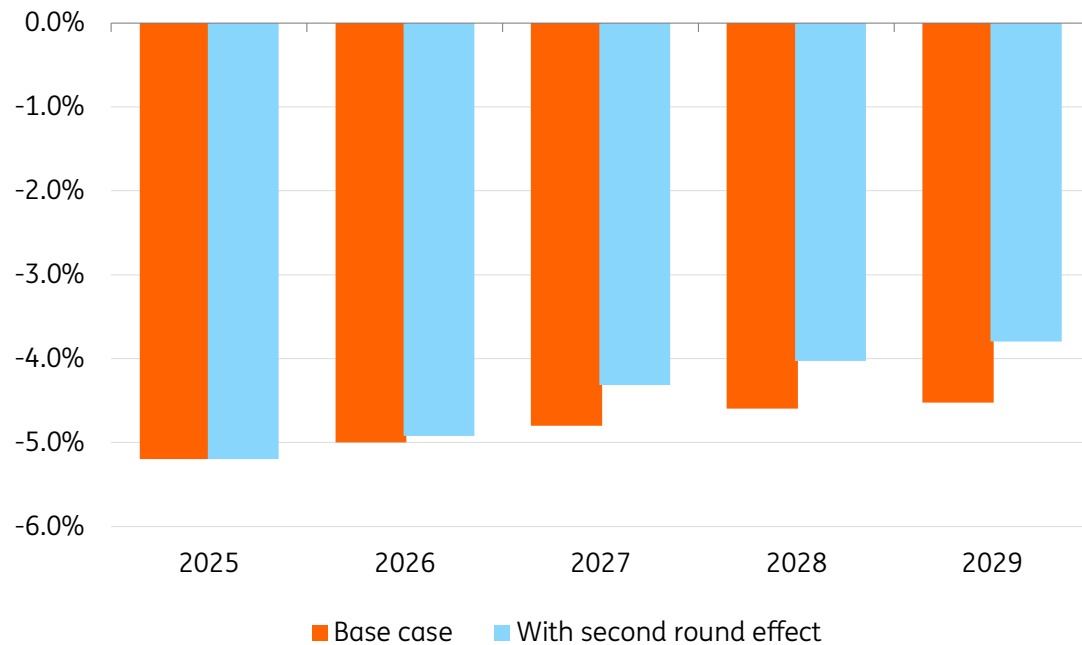


Source: LSEG Datastream, ING Economic Research

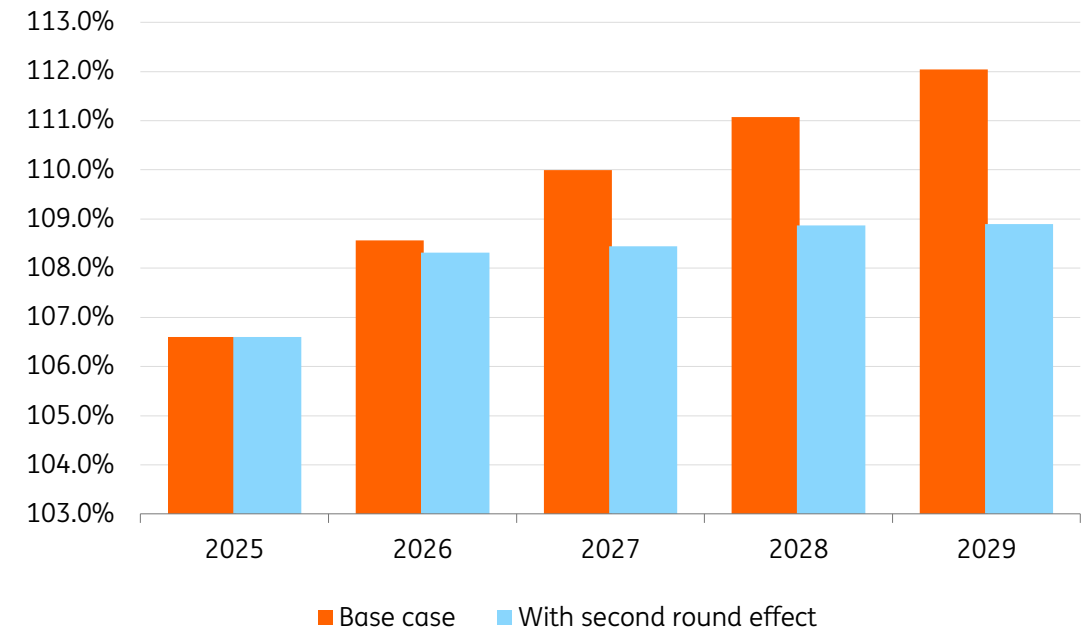


# What does the new Belgian budget imply?

## Budget balance, % of GDP

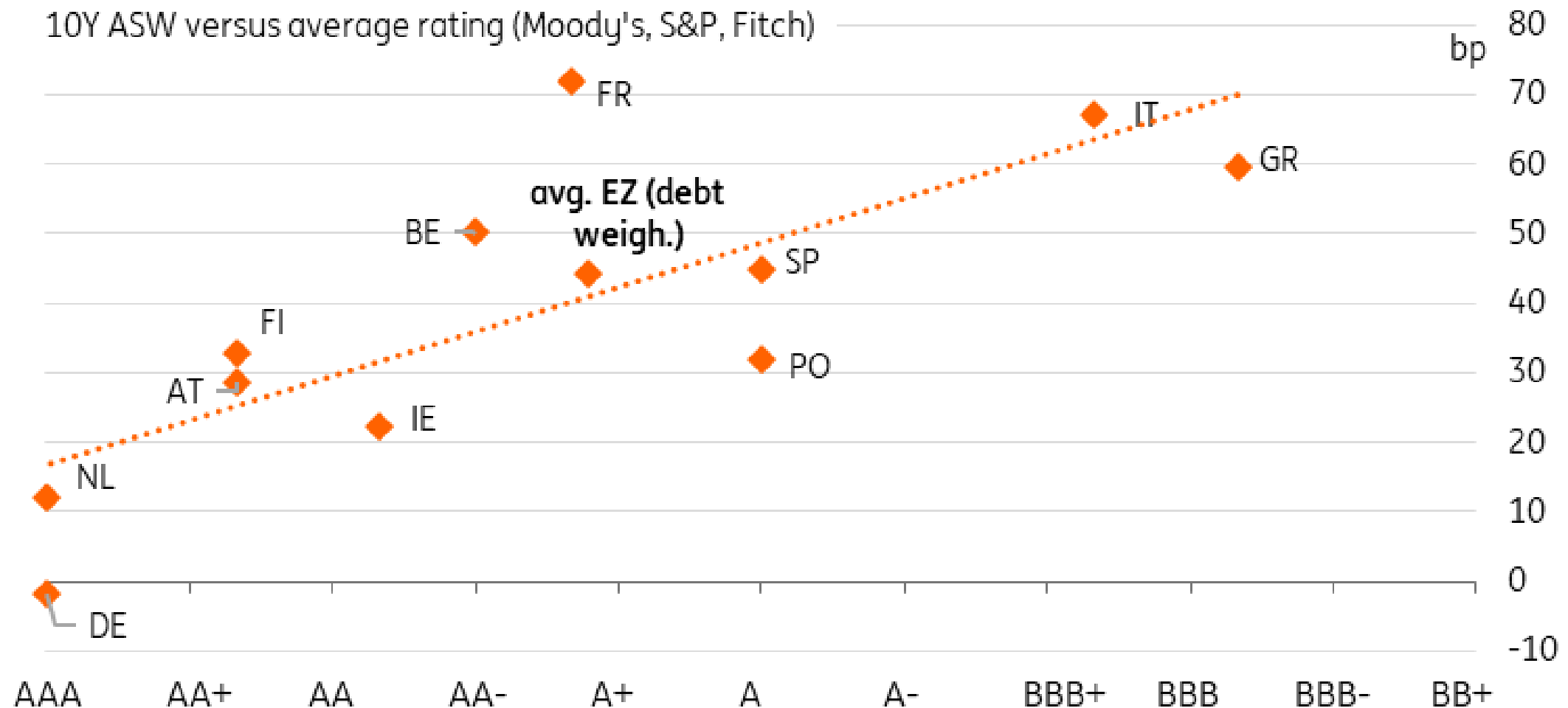


## Debt ratio, % of GDP





# Markets already anticipate further downgrades of French and Belgian credit ratings





# Outlook for real GDP growth

	2025	2026	2027
United States	2.0	1.9	2.2
Eurozone	1.4	1.2	1.6
United Kingdom	1.4	0.9	1.1
Belgium	1.0	0.9	1.1
Japan	1.3	1.4	1.1
China	5.0	4.6	4.5

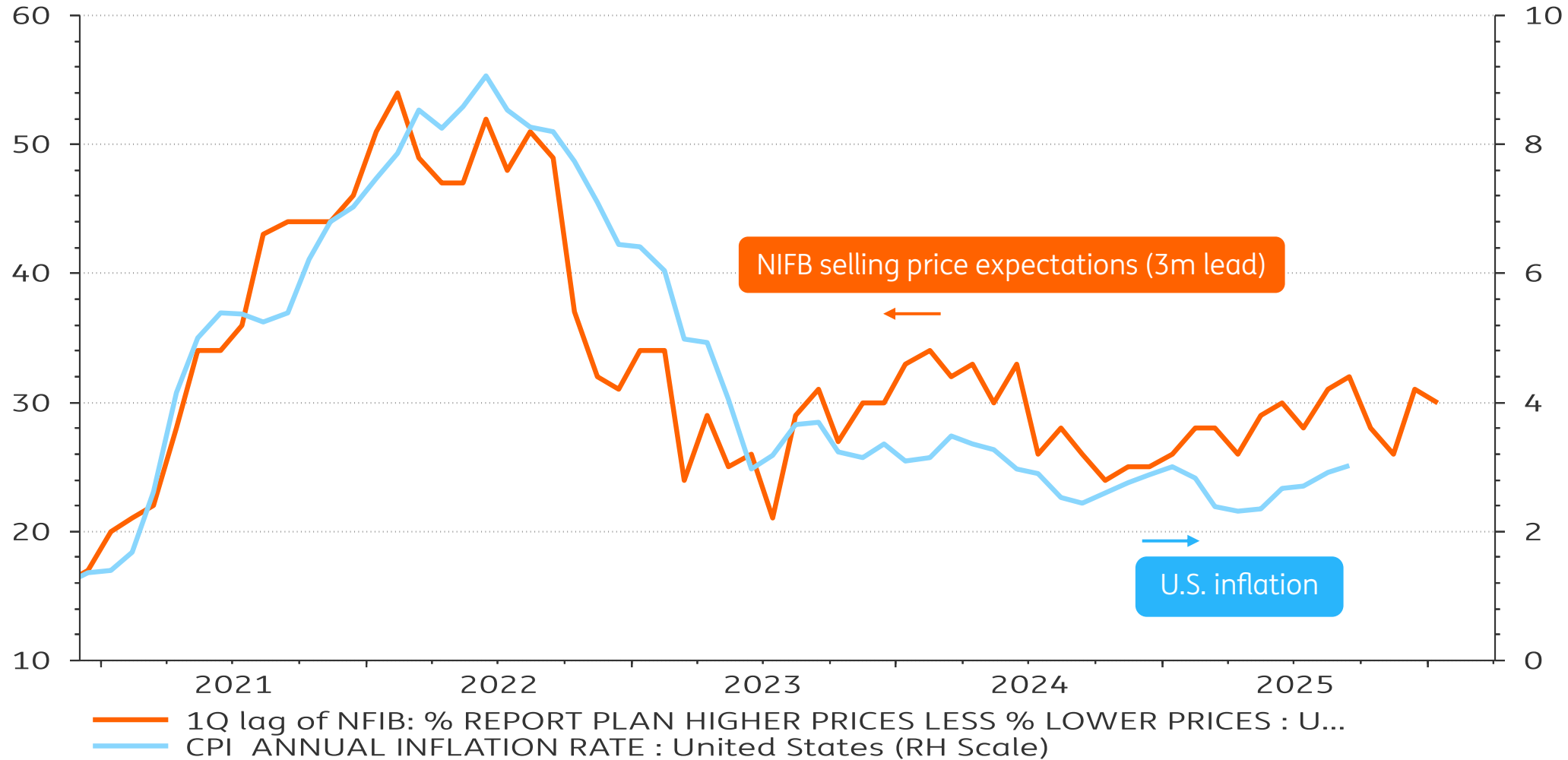


# How big a risk is inflation?





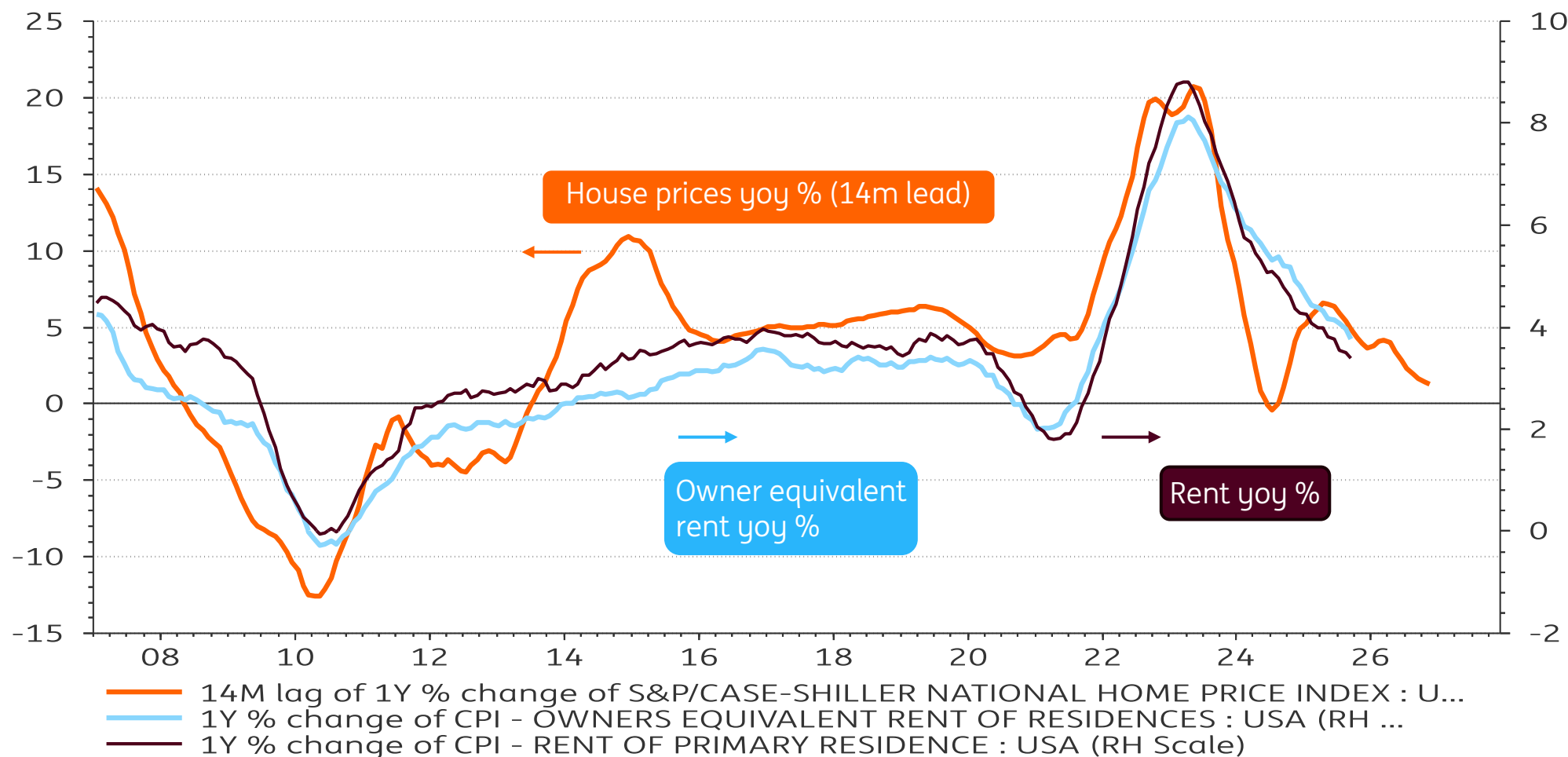
# US inflation risk not gone...



Source: LSEG Datastream, ING Economic Research



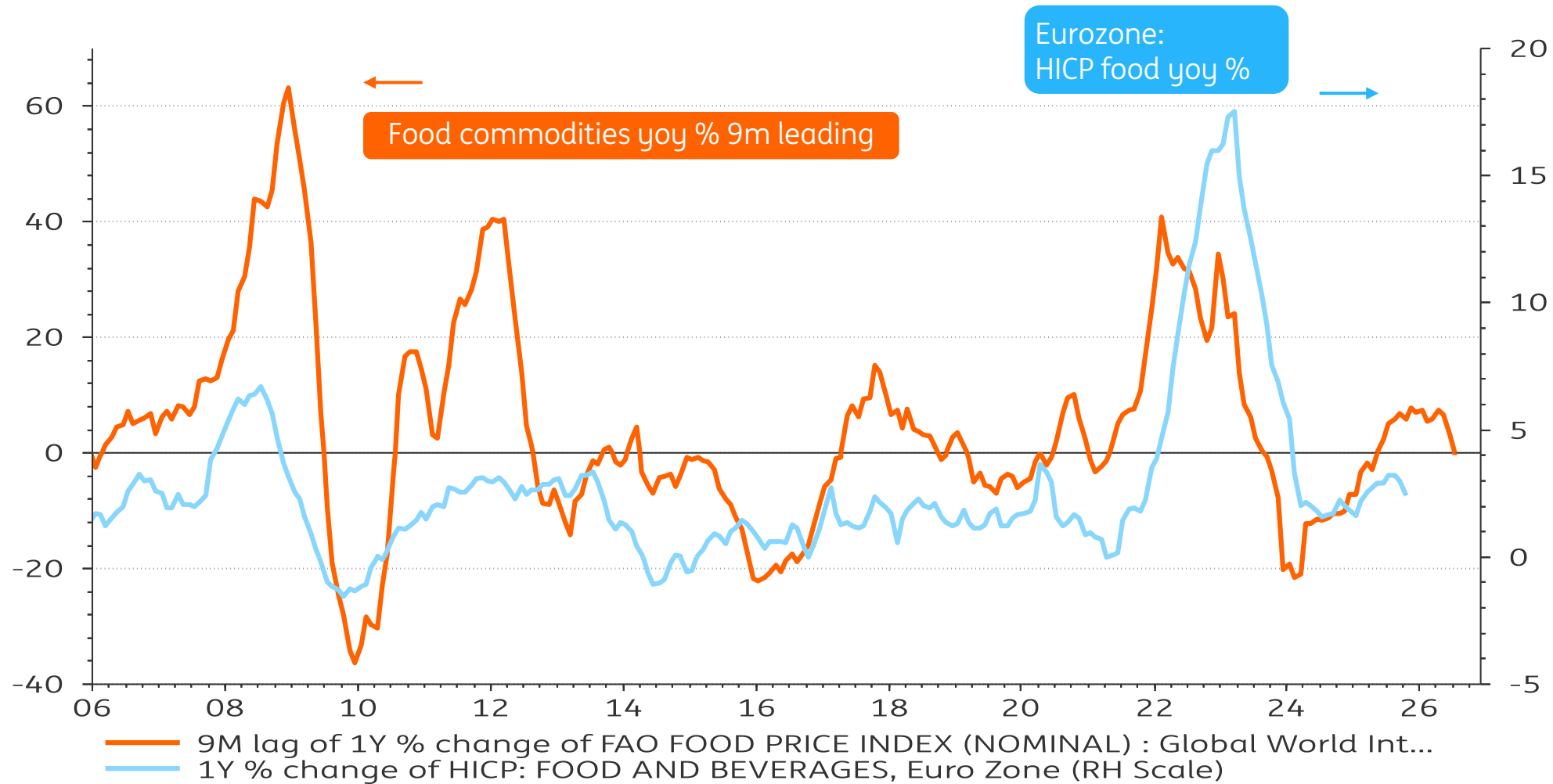
# ...but softening housing market will temper US inflation



Source: LSEG Datastream, ING Economic Research



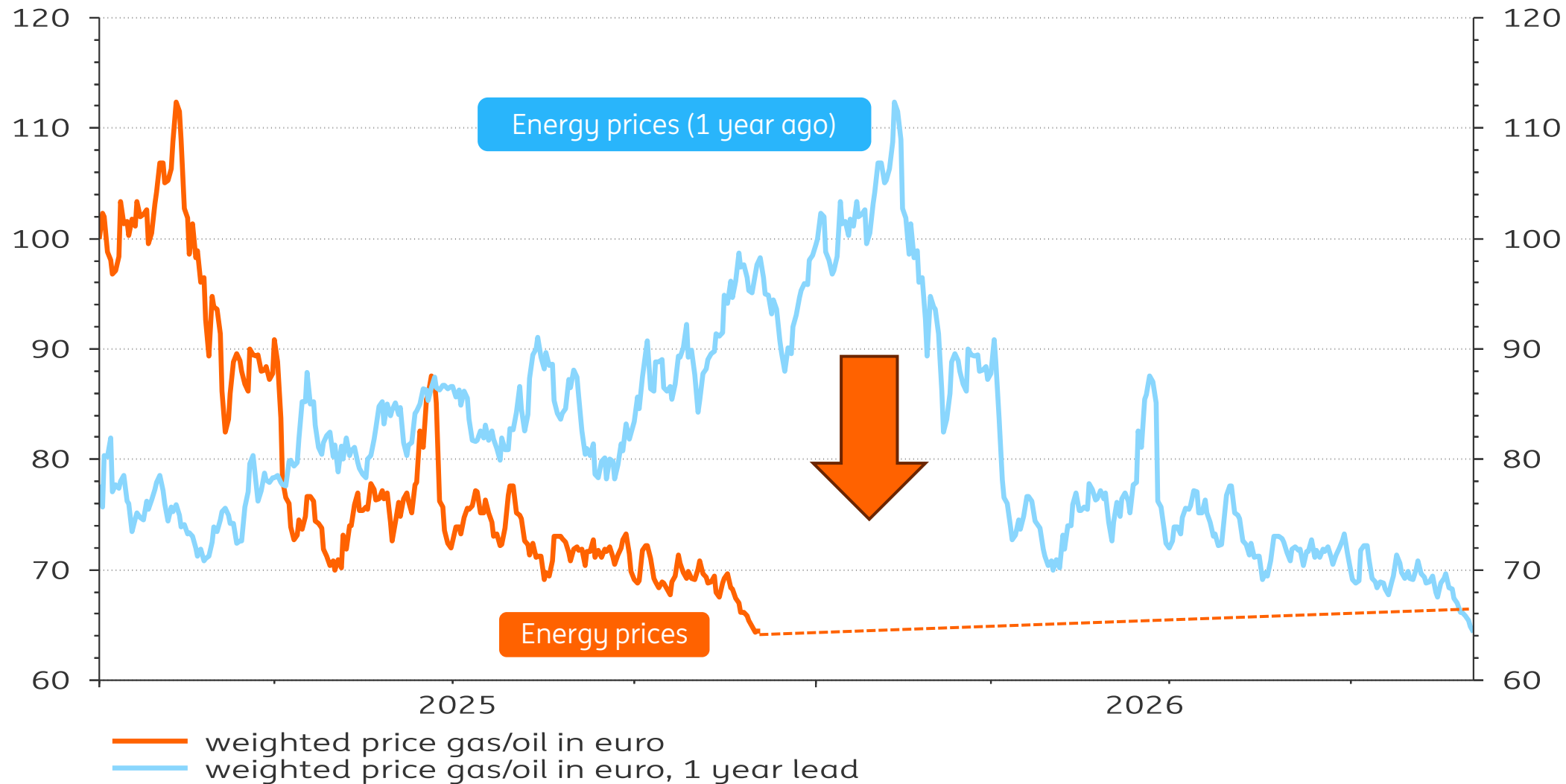
# In the Eurozone, food inflation is falling again



Source: LSEG Datastream, ING Economic Research



# Energy prices likely to have downward effect on euro zone inflation through Q2 2026



Source: LSEG Datastream, ING Economic Research

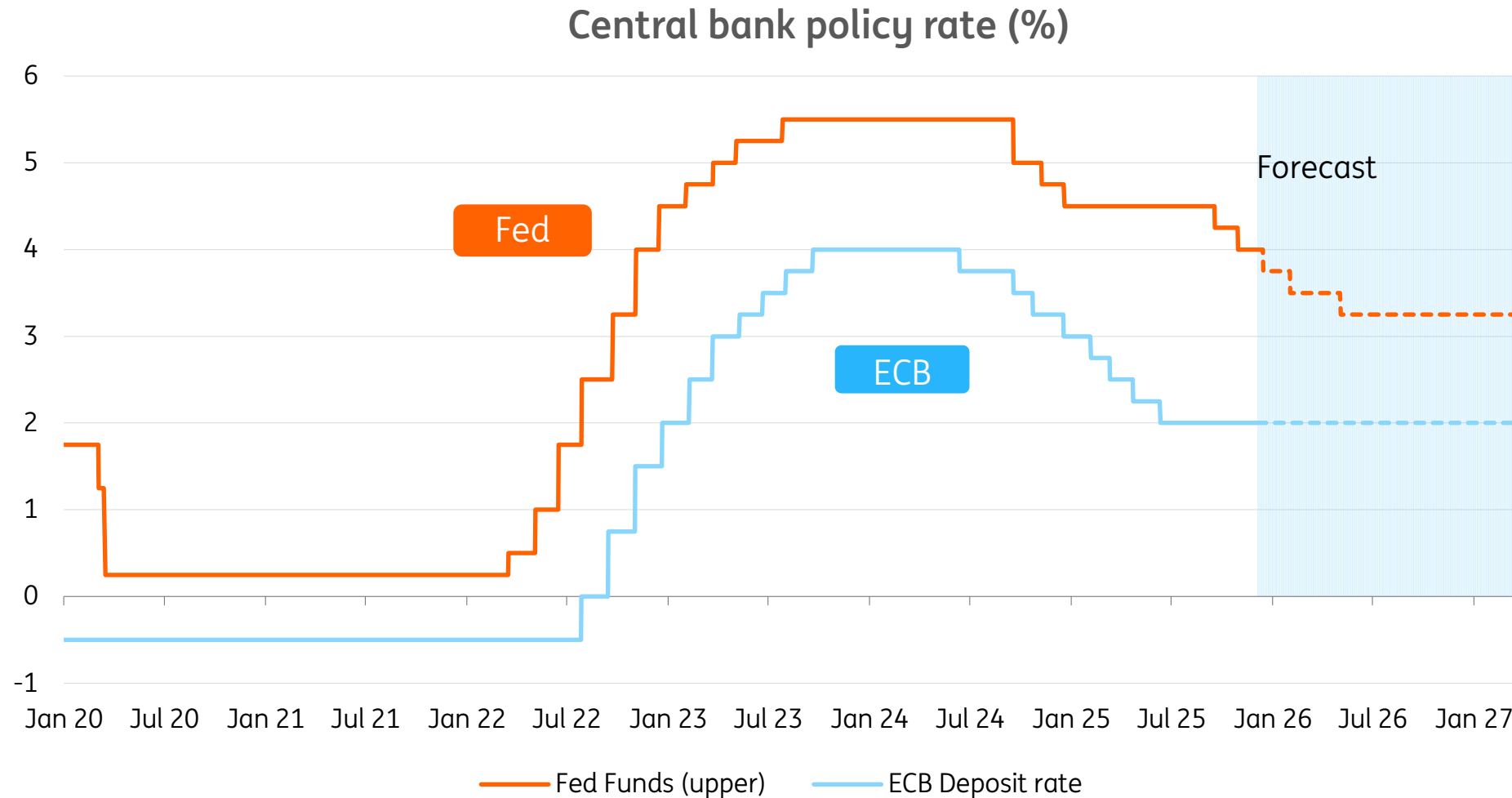


# Impact on monetary policy?





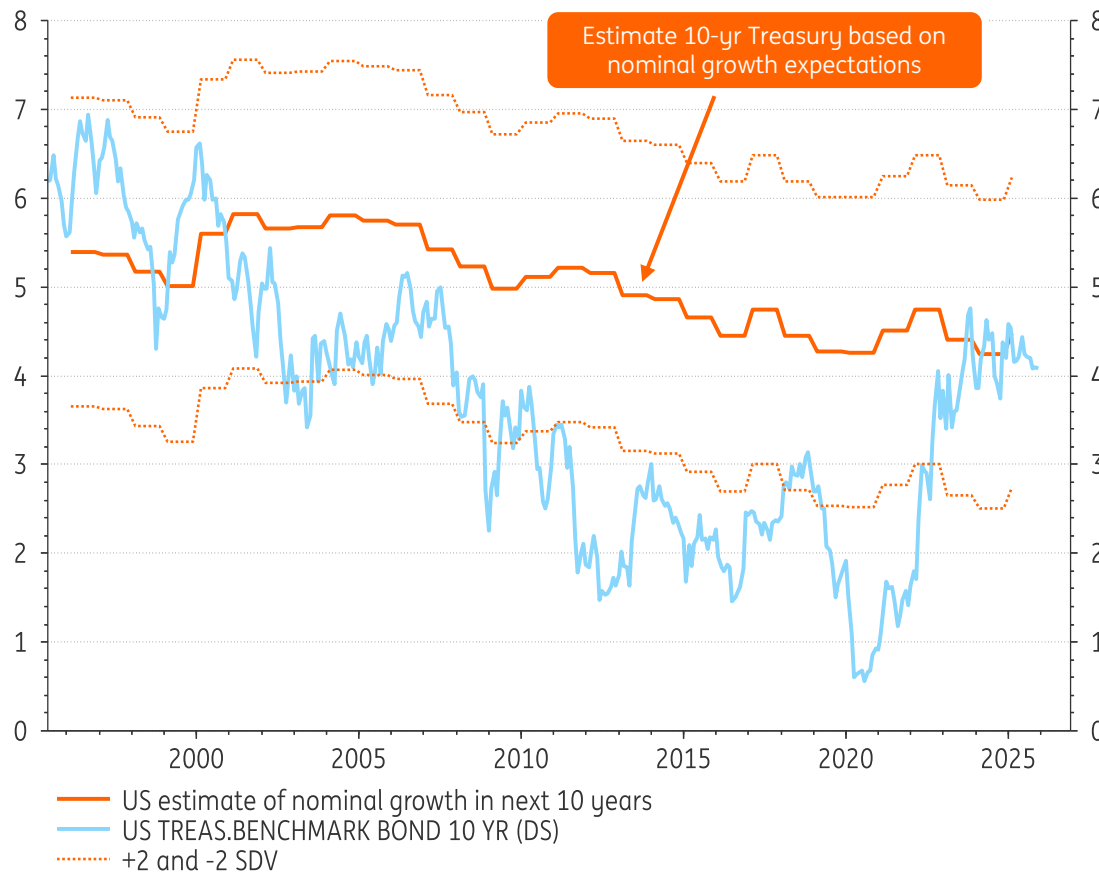
# Fed cuts rates, while the ECB remains in a good place





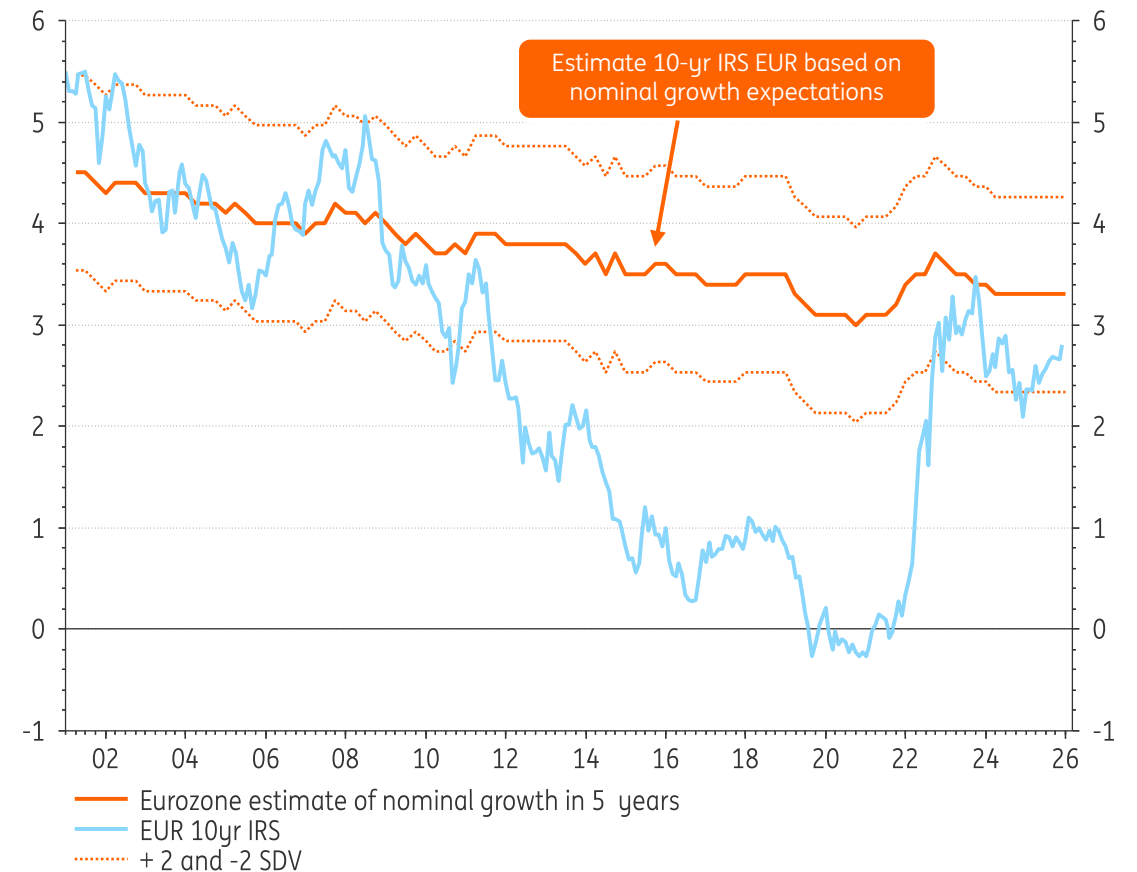
# Bond yields back at more normal levels

## US 10 yr fair value



Source: LSEG Datastream, ING Economic Research , Q1 25

## Eurozone 10 yr fair value



Source: LSEG Datastream, ING Economic Research , Q4 25

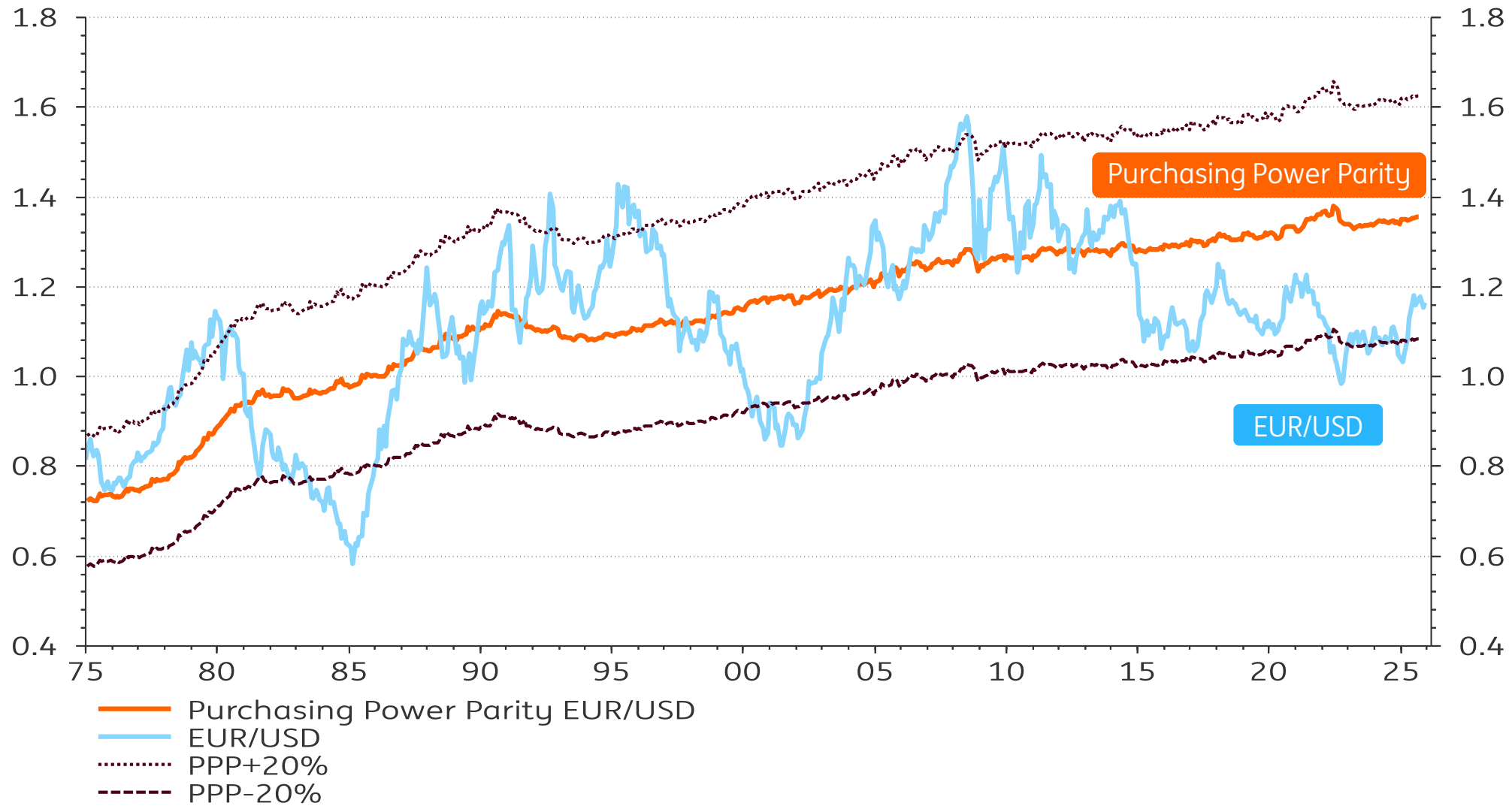


# What about the dollar?





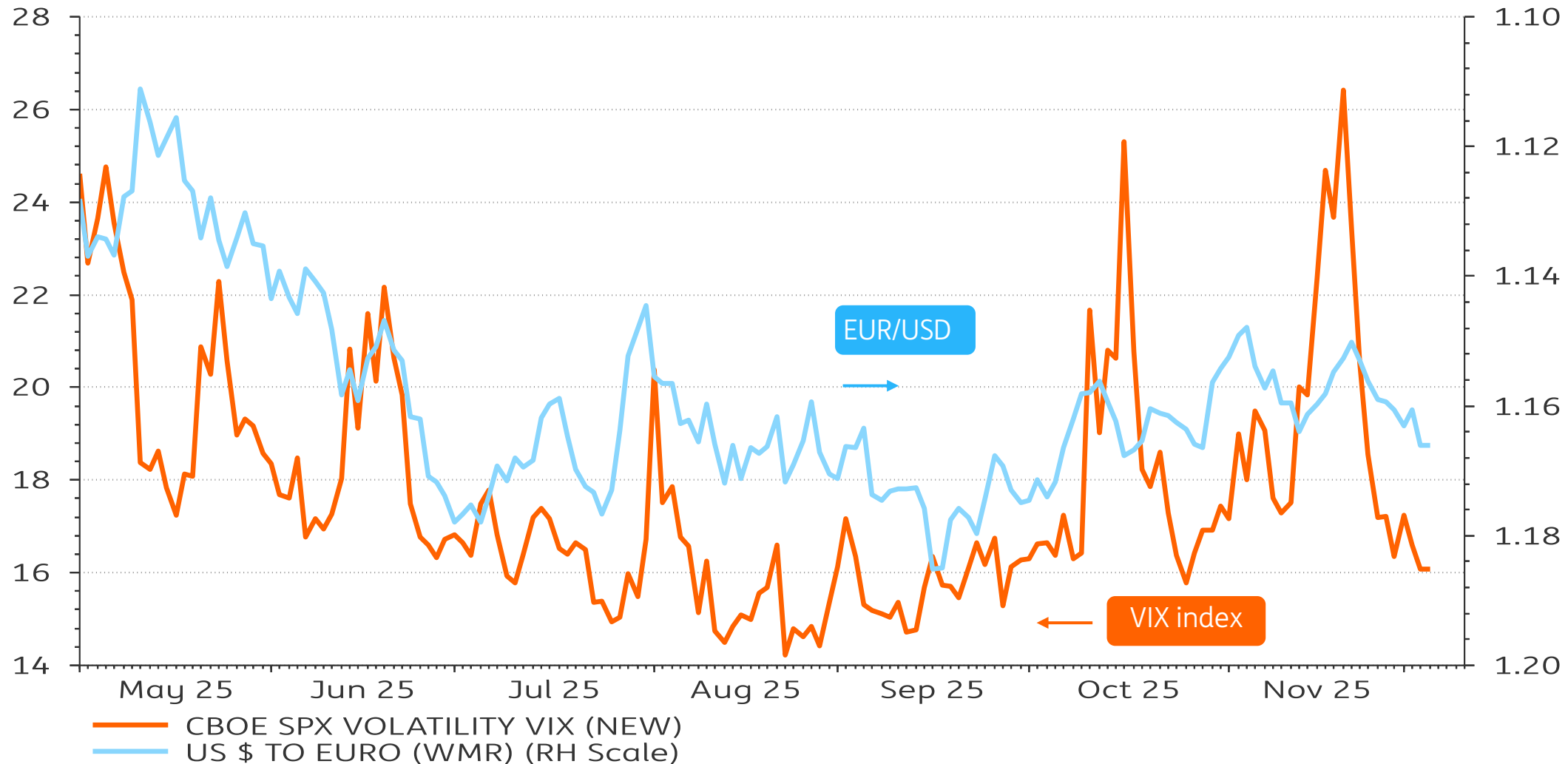
# USD has become less overvalued



Source: LSEG Datastream, ING Economic Research



# More volatility could (temporarily) support the dollar



Source: LSEG Datastream, ING Economic Research



# Conclusions

- ❶ The technology sector continues to support US economic growth.
- ❷ China is exporting its excess production capacity globally, except to the US.
- ❸ Europe is benefiting from a positive energy shock.
- ❹ Europe's challenging demographics require increased productivity growth, which is currently not occurring and may even be declining.
- ❺ Belgian consumers have been spending more than those in the rest of the eurozone, likely leading to below-average Belgian growth in 2026.
- ❻ Belgium's budget plans are insufficient to prevent further increases in the debt ratio, raising the risk of another credit rating downgrade.
- ❼ Despite import tariffs, US inflation is expected to moderate in 2026, while eurozone inflation may temporarily fall below target.
- ❽ The ECB is expected to keep interest rates steady, while the Fed will likely reduce rates to a neutral level around 3%.
- ❾ Bond yields are anticipated to rise marginally.
- ❿ The dollar's downward trend continues, but 2026 may bring a period of range-bound trading.





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***“Even with economies at cruising speed,  
investors shouldn’t go on autopilot”***

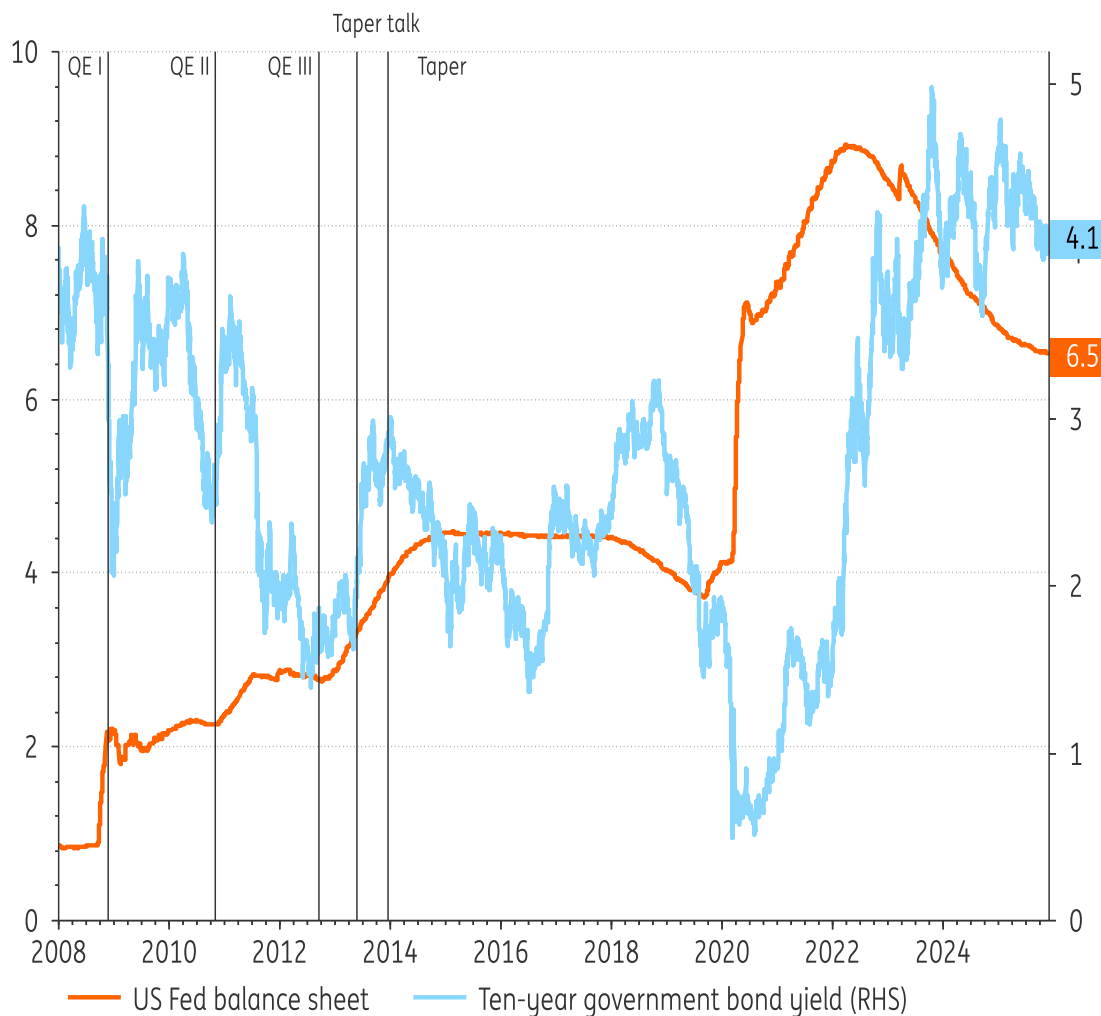


# Agenda

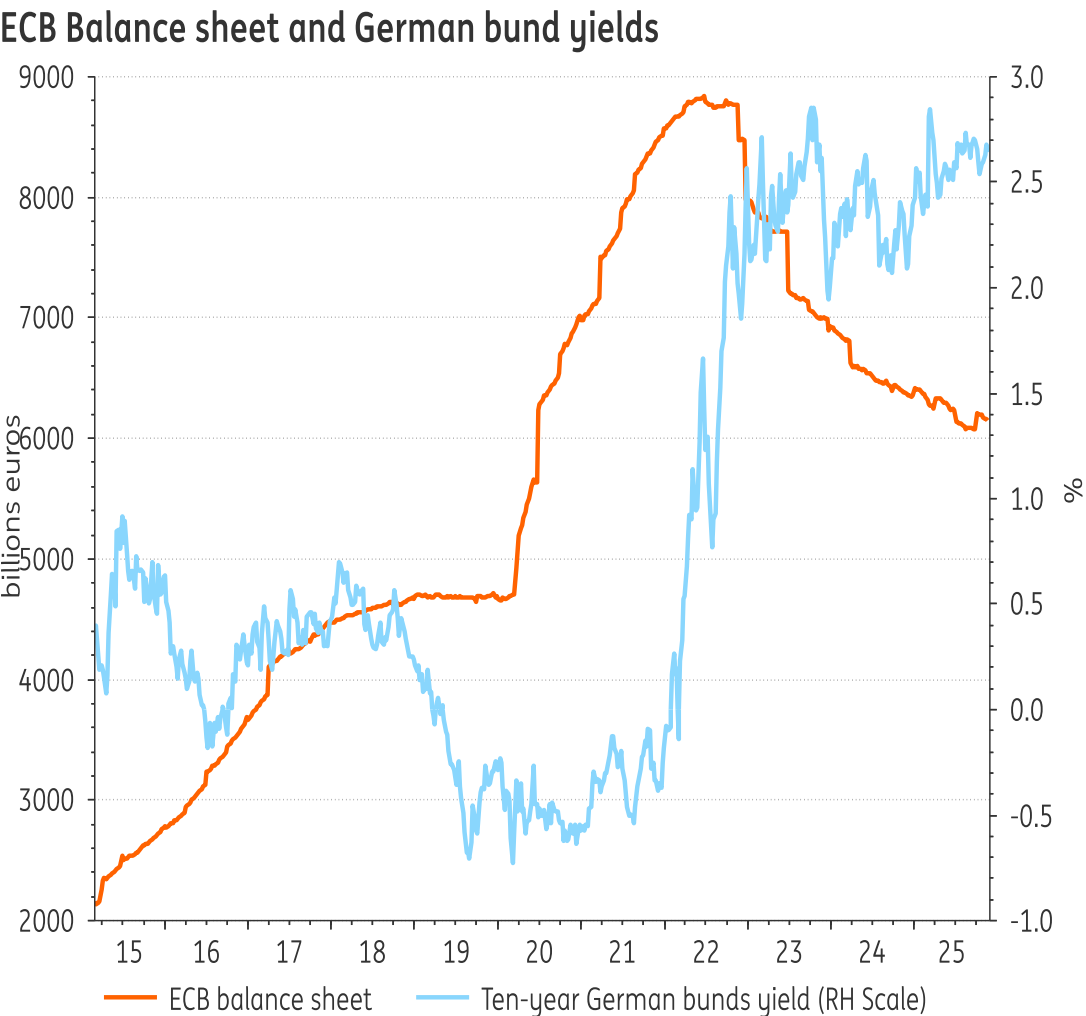
- 1** *Fixed income markets remain confronted with cross currents*
- 2** *Equity Markets: Neutral stance but capturing opportunities across sectors/regions*
- 3** *Tactical Asset Allocation (TAA): Stay invested, but remain well diversified*



# The normalization of Central Banks, conventional and unconventional monetary policies could lead to a steepening of the yield curve



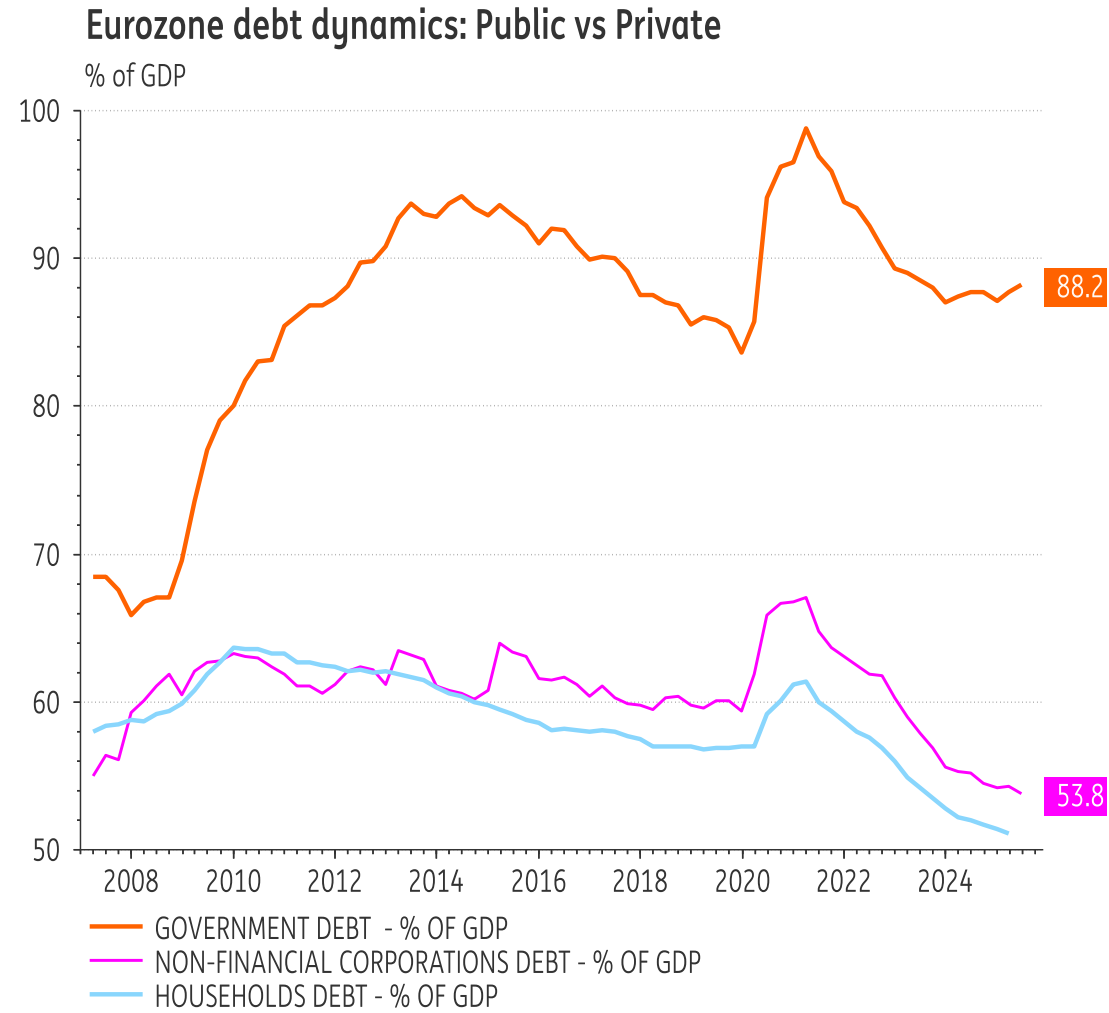
Source: LSEG Datastream, ING Investment Office , 26/11/2025



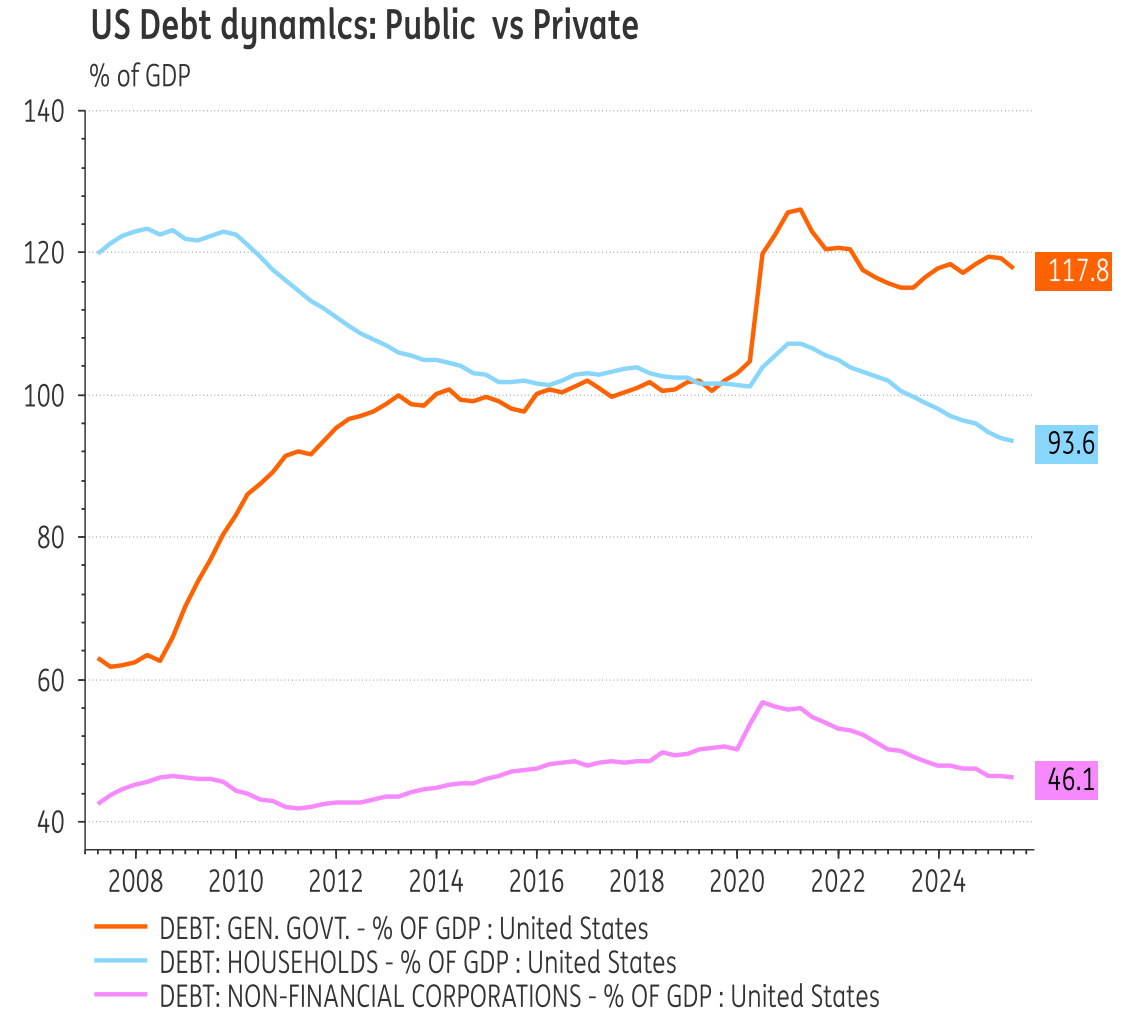
Source: LSEG Datastream, ING Investment Office , 02/12/2025



# Debt Sustainability concerns add to long-end yield Pressures



Source: LSEG Datastream, ING Investment Office, Q2 25

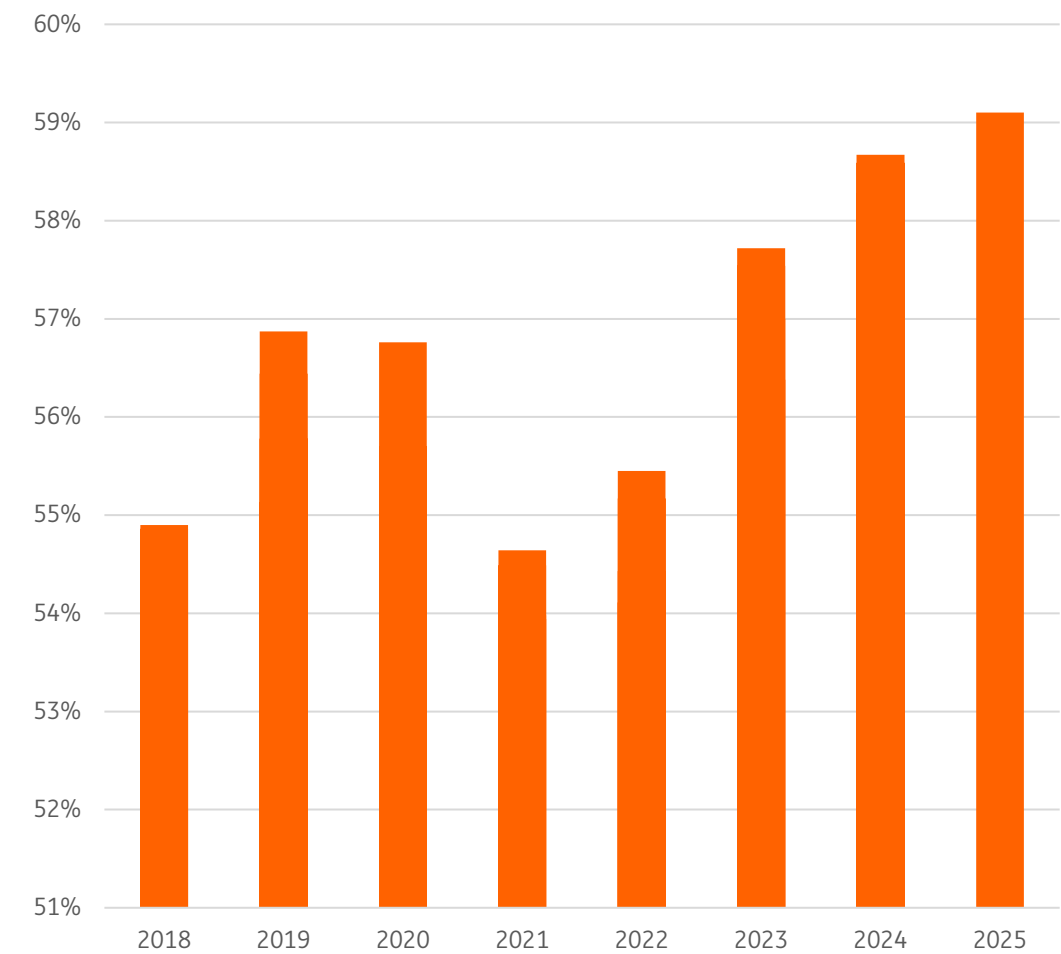


Source: LSEG Datastream, ING Investment Office, Q2 25

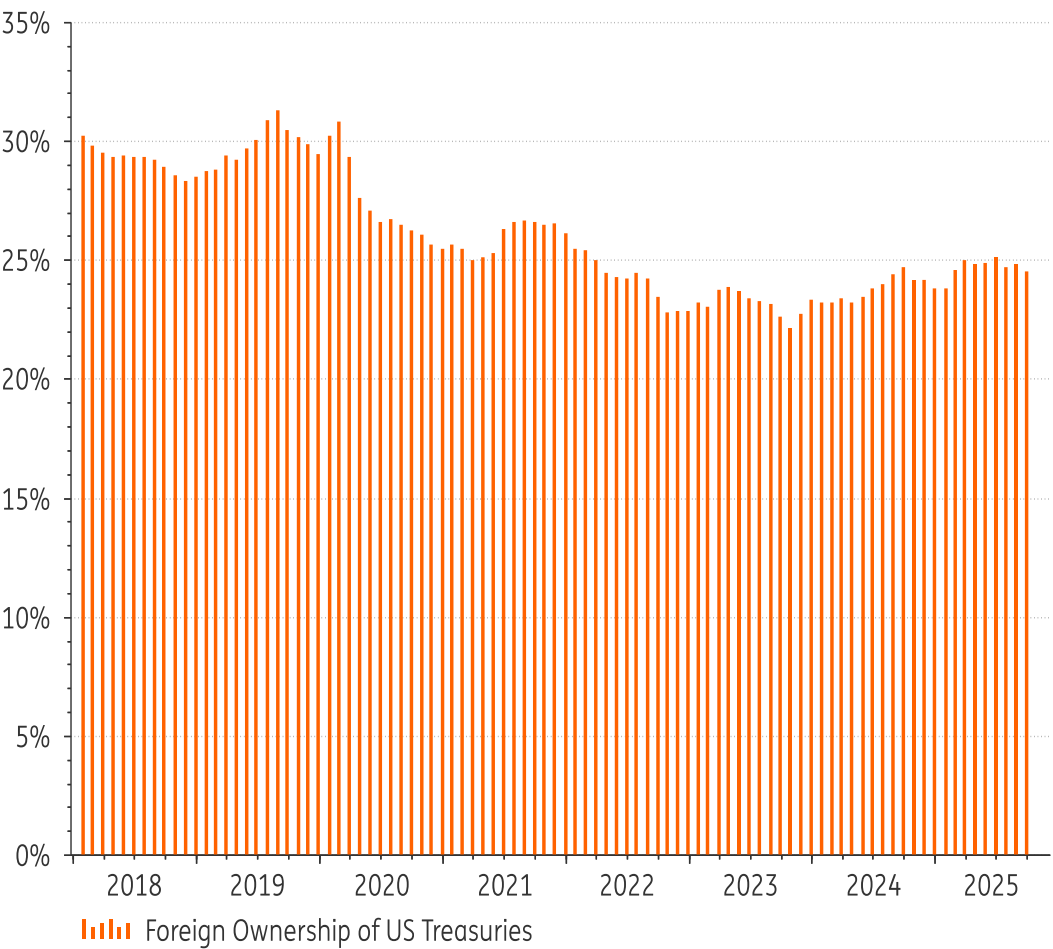


# Who you owe money to makes a difference

% Foreign ownership of French OAT



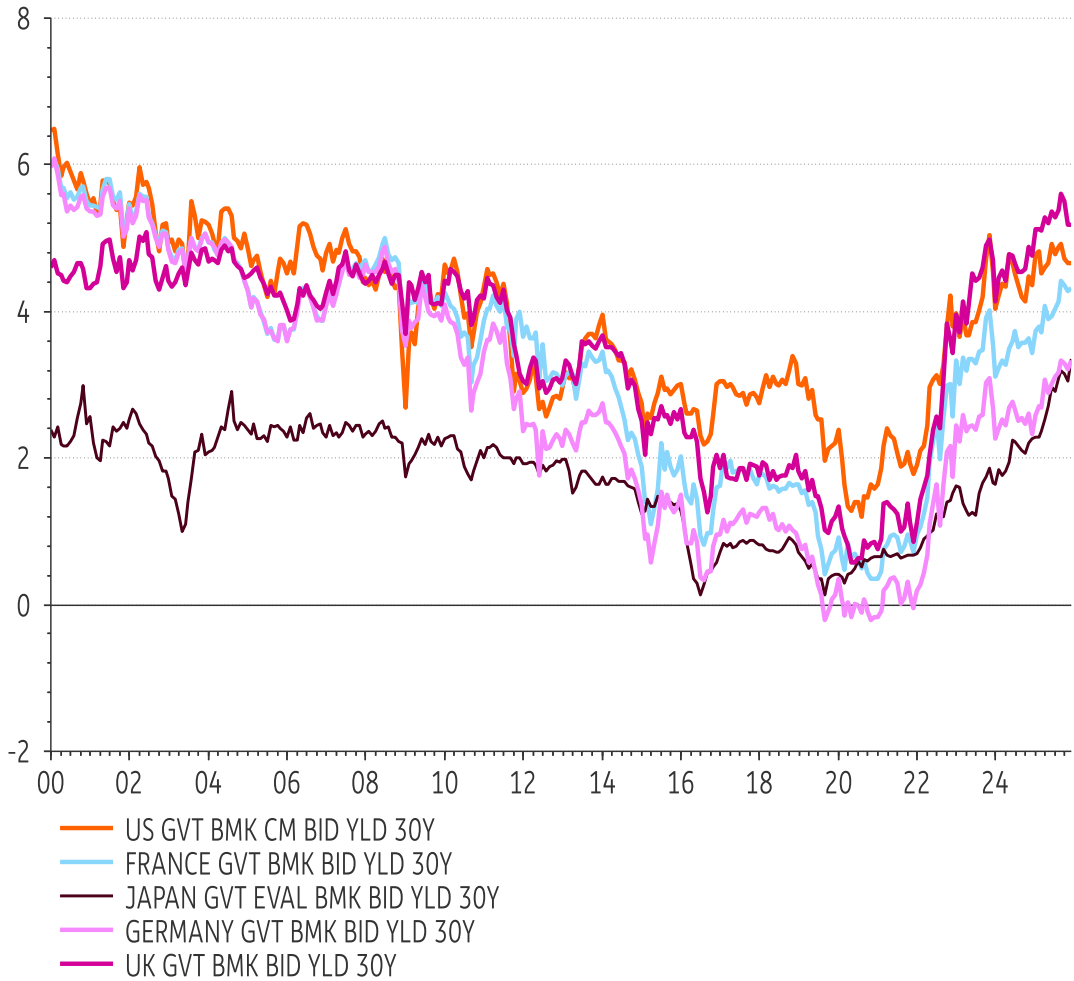
% Foreign ownership of US Treasuries





# Long-term yields hit multi-year highs; French OATs underperformed, credit stayed stable

30-year sovereign bond yields have risen to multi years highs

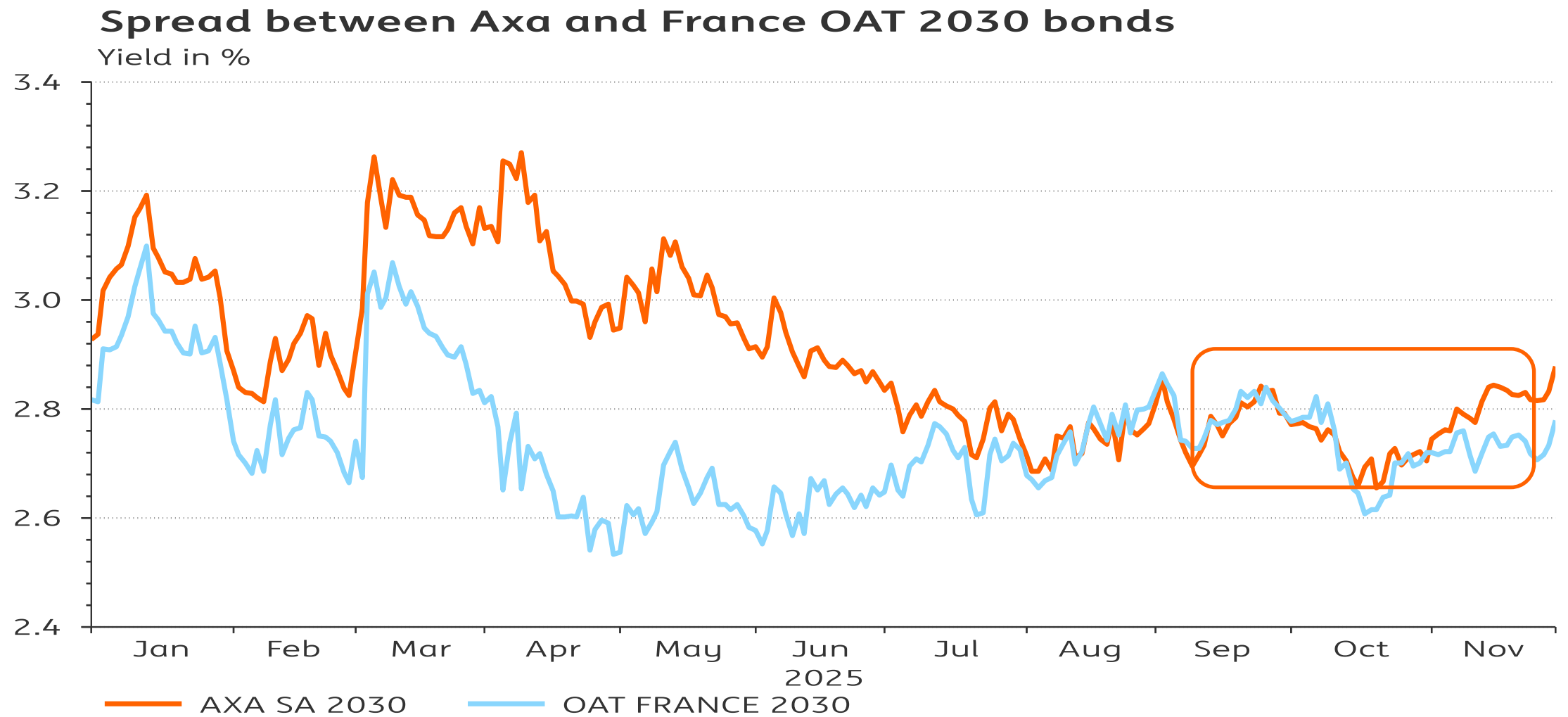


French OAT's have sold off while credit markets have remained relatively stable





# The curious case about negative spreads

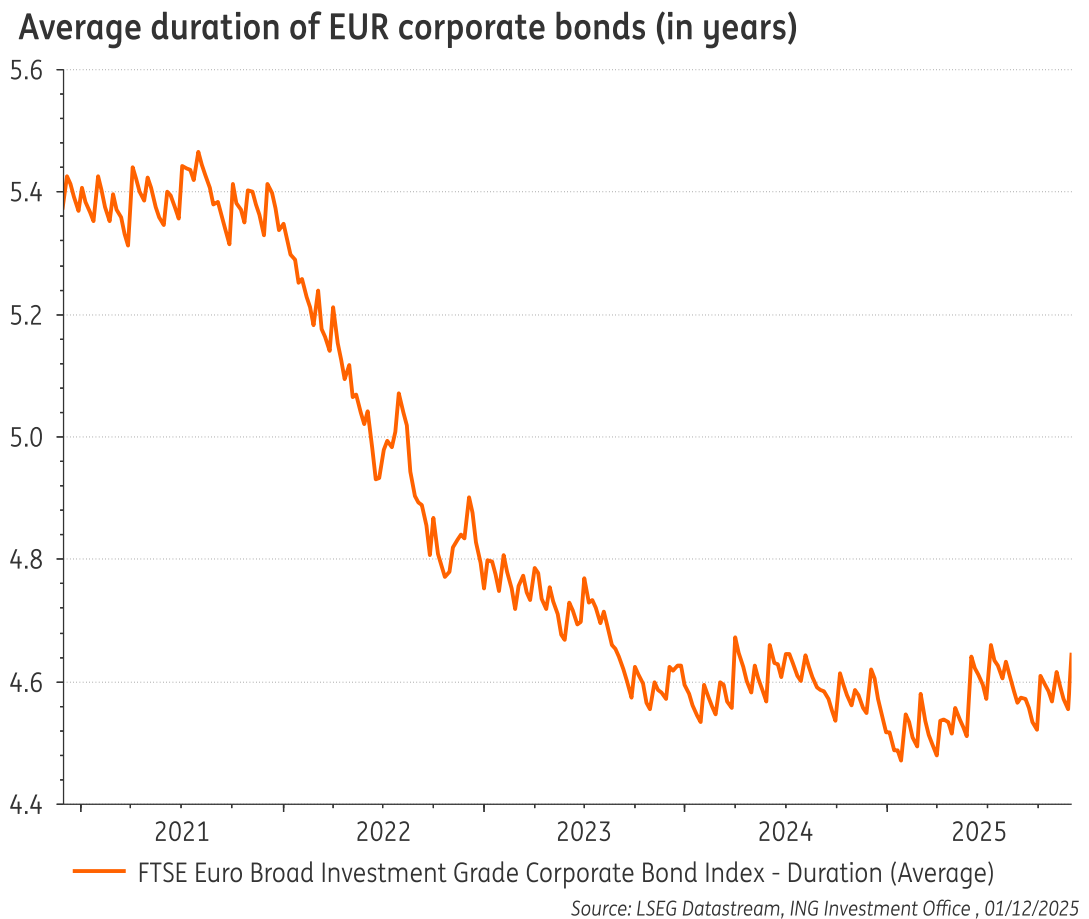


Source: LSEG Datastream, ING Investment Office , 02/12/2025

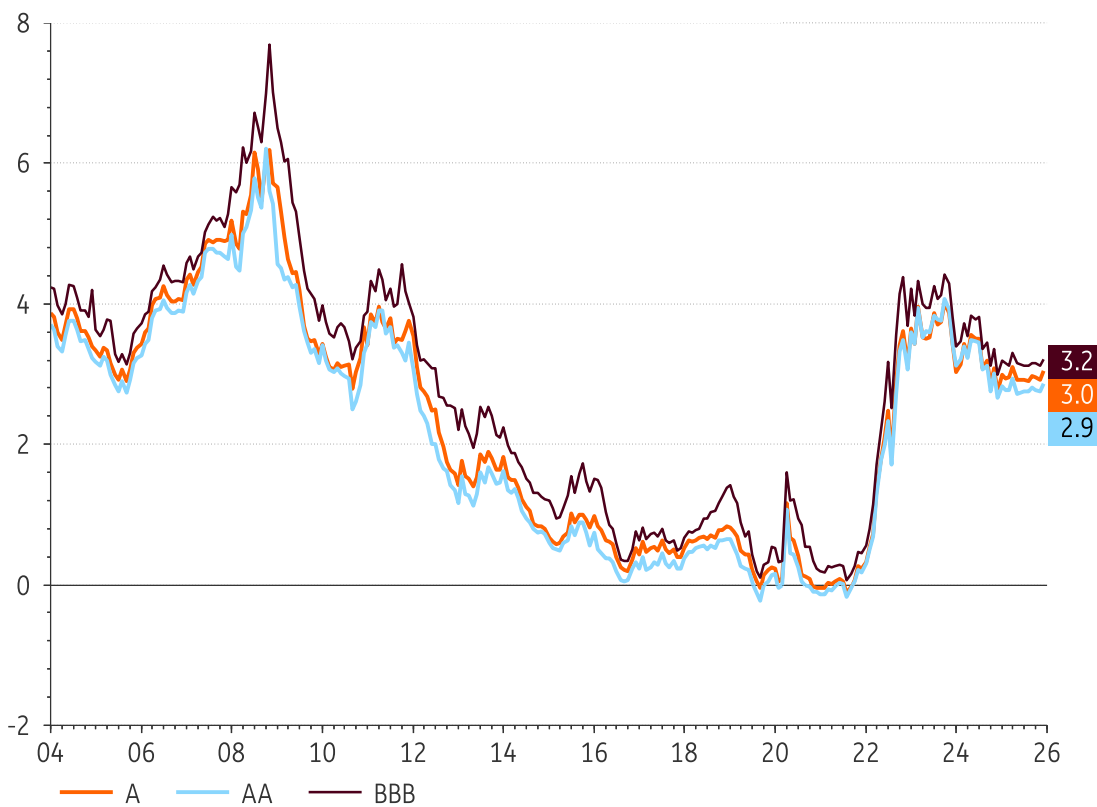


# IG Corporate bonds

## Average duration Euro-Aggregate Corporate



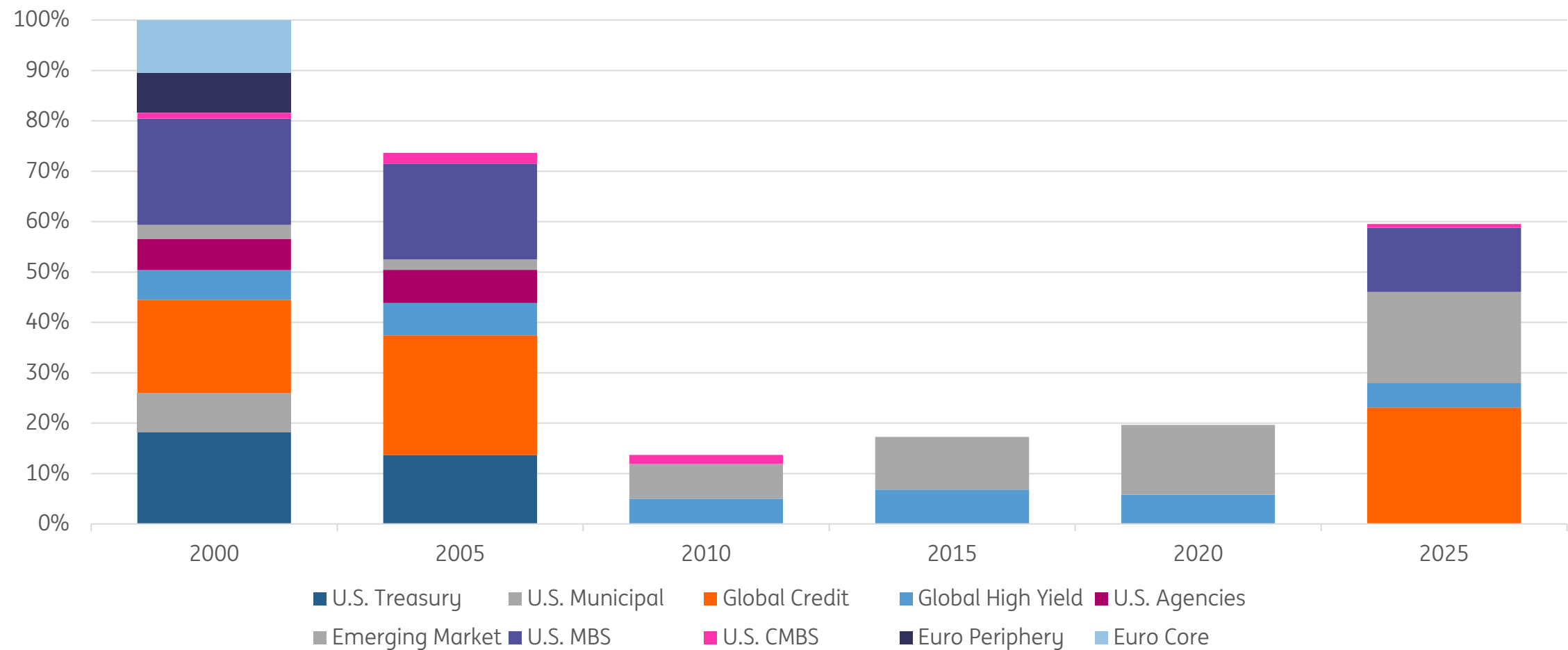
## IG corporate bonds yields





# Income is back in fixed income markets, especially on credits markets

% of Fixed income assets yielding over 4%



Sources: BlackRock Investment Institute, with data from LSEG Datastream, November 2025. Note: The bars show market capitalization weights of assets with an average annual yield over 4% in a select universe that represents about 70% of the Bloomberg Multiverse Bond Index. Euro Core is based on French and German government bonds indexes. Euro periphery is based on an average of government debt indexes for Italy, Spain and Ireland. Emerging markets combine external and local currency debt.



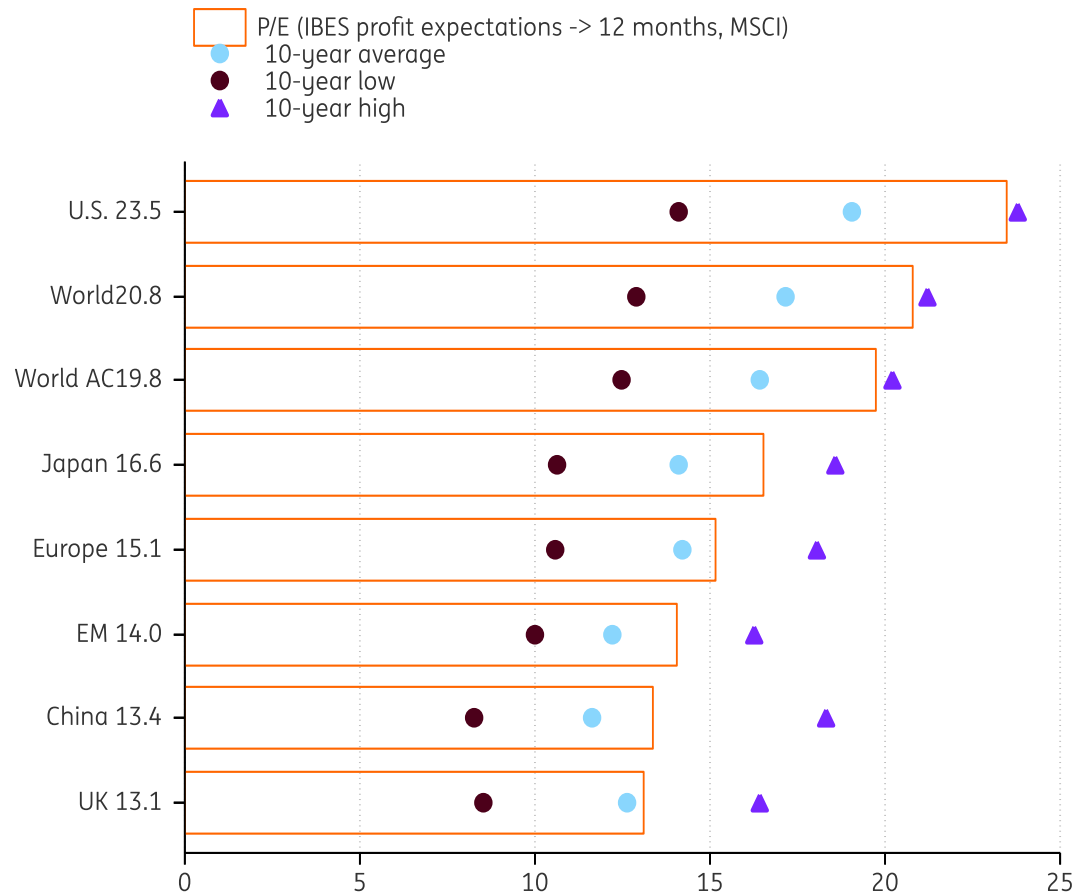
# Agenda

- 1 *Fixed income markets remain confronted with cross currents*
- 2 ***Equity Markets: Neutral stance but capturing opportunities across sectors/regions***
- 3 *Tactical Asset Allocation (TAA): Stay invested, but remain well diversified*



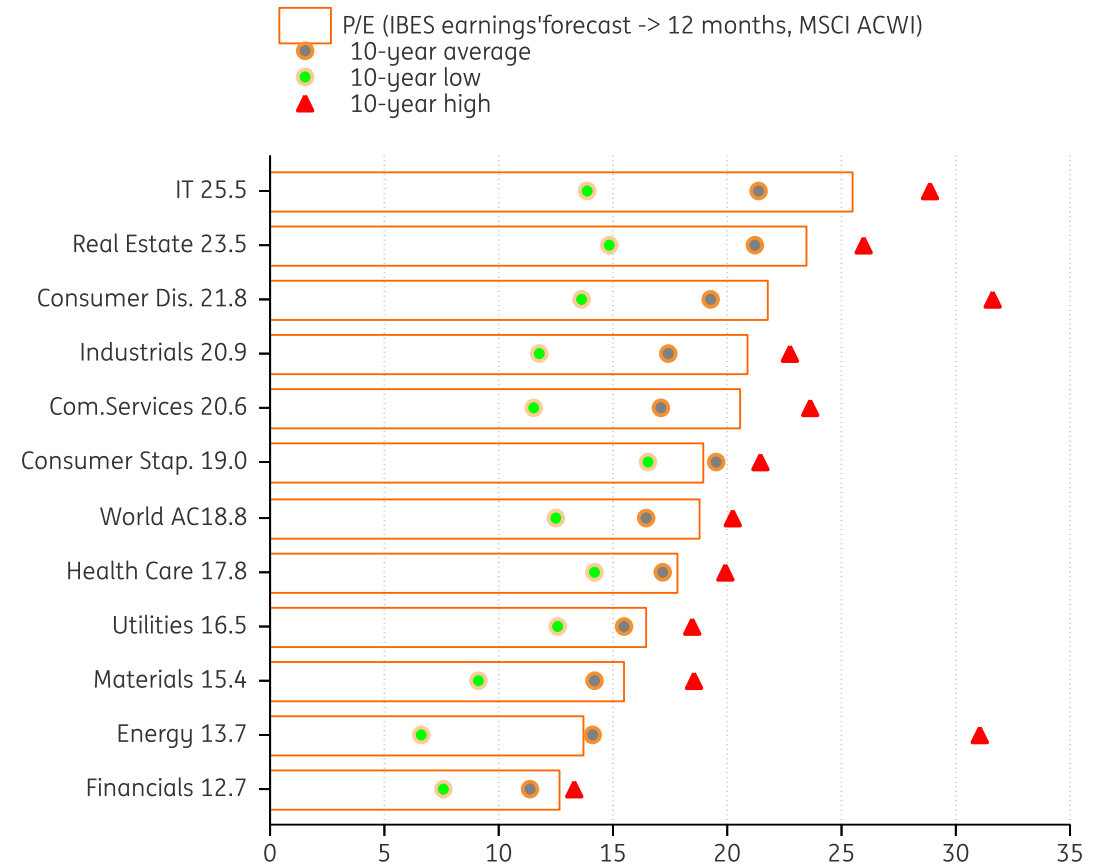
# Equity markets have delivered strong YTD performances they are now priced for perfection

## Regional valuations



Source: LSEG Datastream , ING Investment Office 10/11/2025

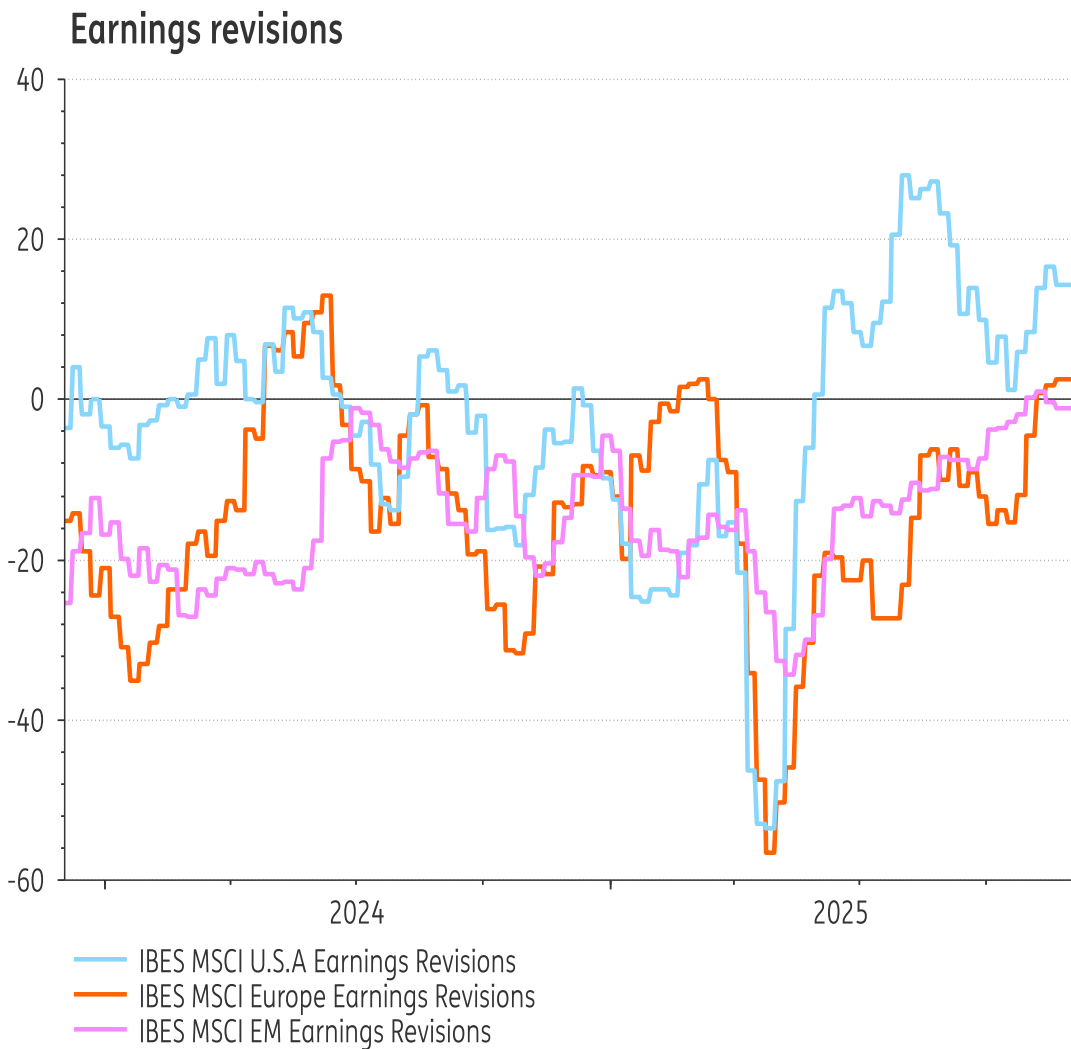
## Sector valuations



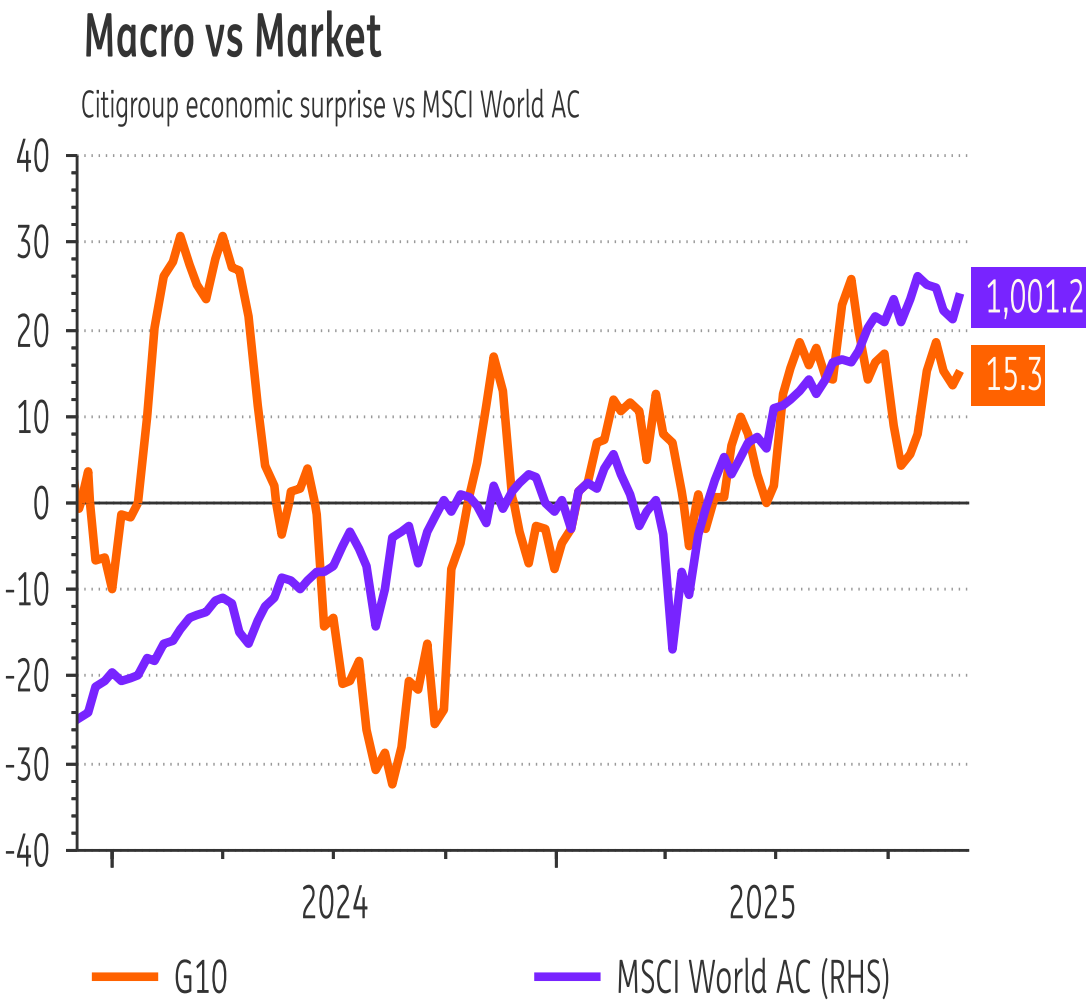
Source: LSEG Datastream , ING Investment Office 02/12/2025



Earnings and Macro momentum have nevertheless been supportive in most regions while EM are still expected to post the highest EPS growth in 2026



Source: LSEG Datastream, ING Investment Office , 02/12/2025



Source: LSEG Datastream, ING Investment Office , 01/12/2025



# Fed's non-recessionary rate cuts have generally been positive for markets — so, “Don't fight the Fed”

S&P 500 price returns (in % USD) since 1950 when the US economy did not see a recession within a year of the first Fed rate cut

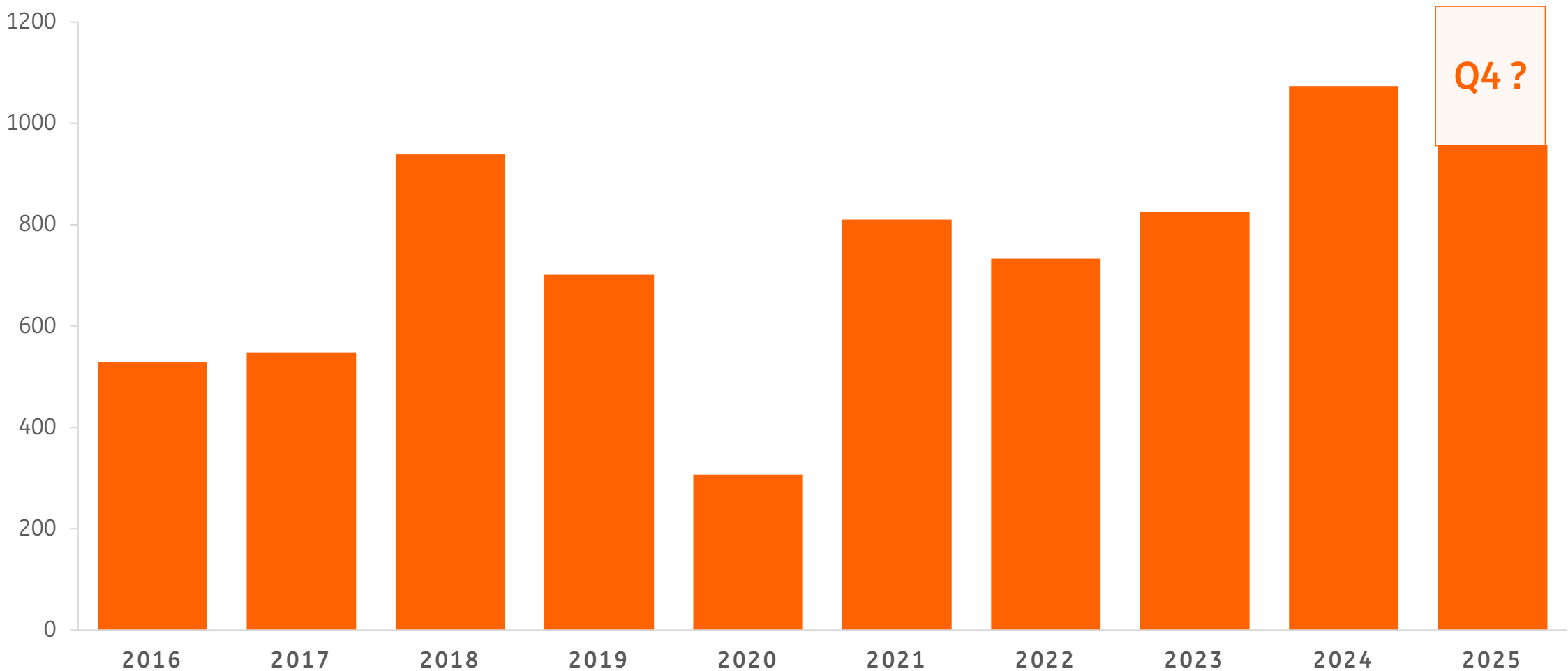
	Fed First Rate Cut Date	3 months before	3 months after	6 months after	9 months after	12 months after
1	07/04/1967	9%	3%	9%	7%	4%
2	30/08/1968	1%	10%	-1%	5%	-3%
3	19/11/1971	-7%	15%	19%	22%	26%
4	21/11/1984	-2%	10%	15%	15%	22%
5	06/06/1989	10%	8%	7%	4%	13%
6	06/07/1995	9%	5%	11%	18%	19%
7	29/09/1998	-8%	18%	25%	29%	21%
8	18/09/2024	2%	4%	0%	6%	
Average		2%	9%	11%	13%	15%

Source : BofA, Bloomberg, ING Investment Office, data as of September 2025



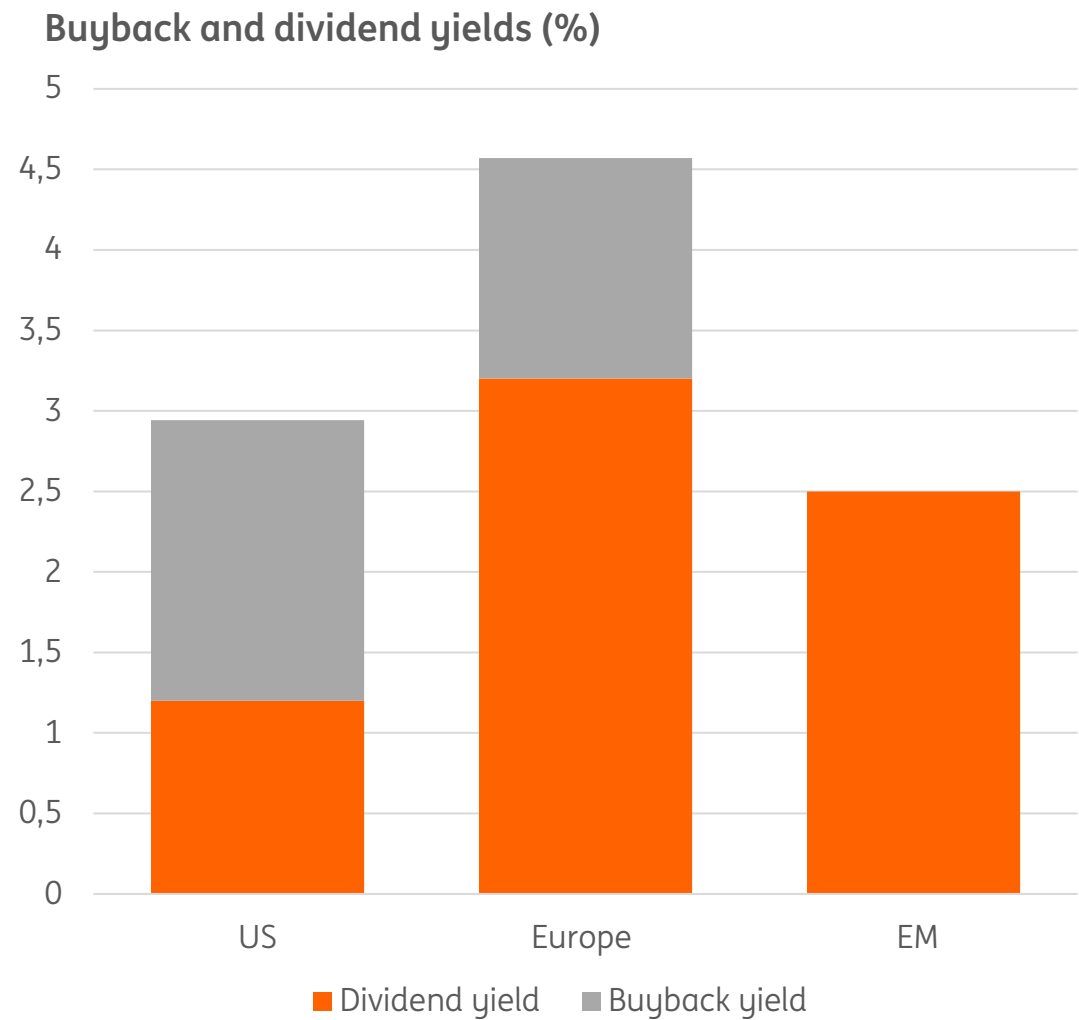
# US Corporates stock buybacks could reach a new record in 2025...

US SHARES BUYBACKS \$ (MIO)

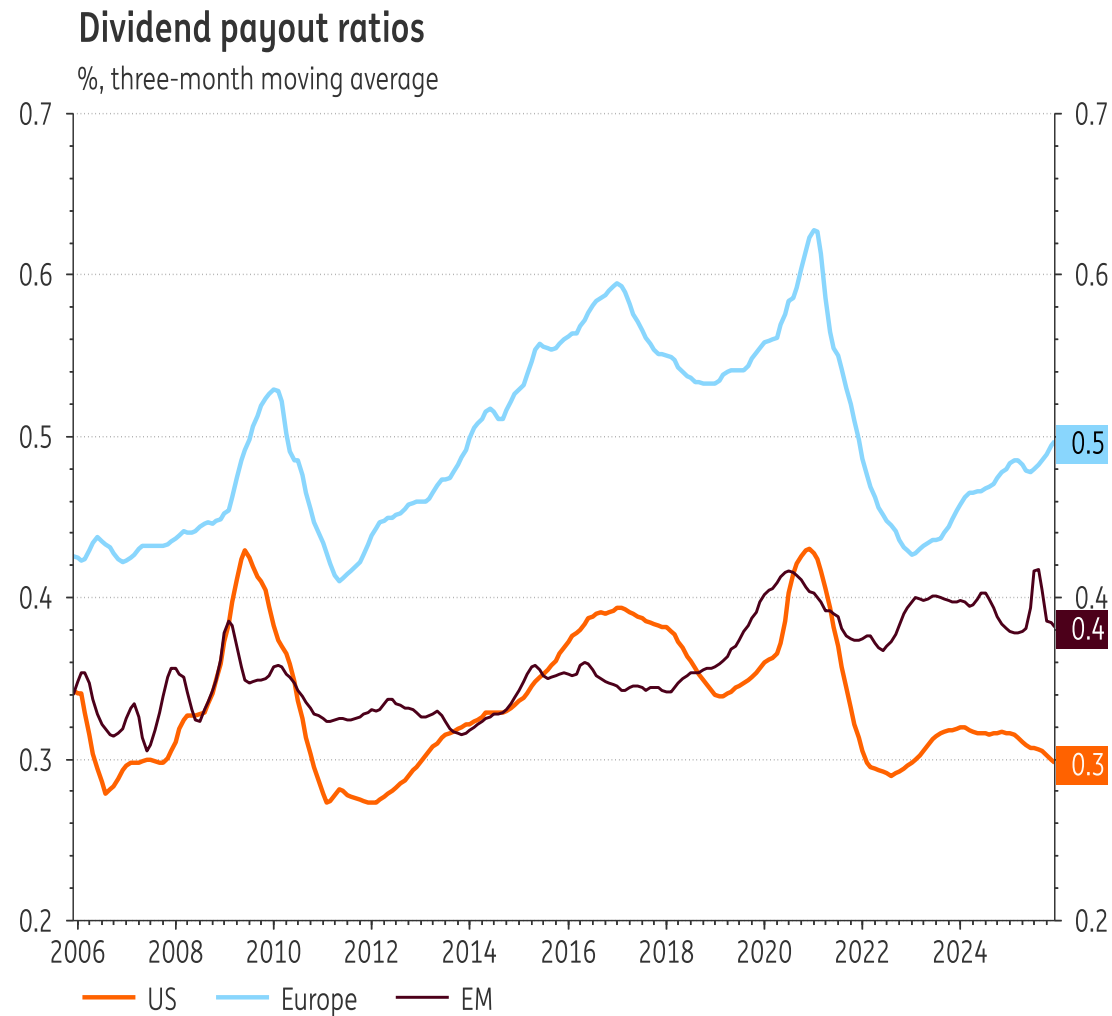




...and in 2026, Equity income could become more important in equity markets total return



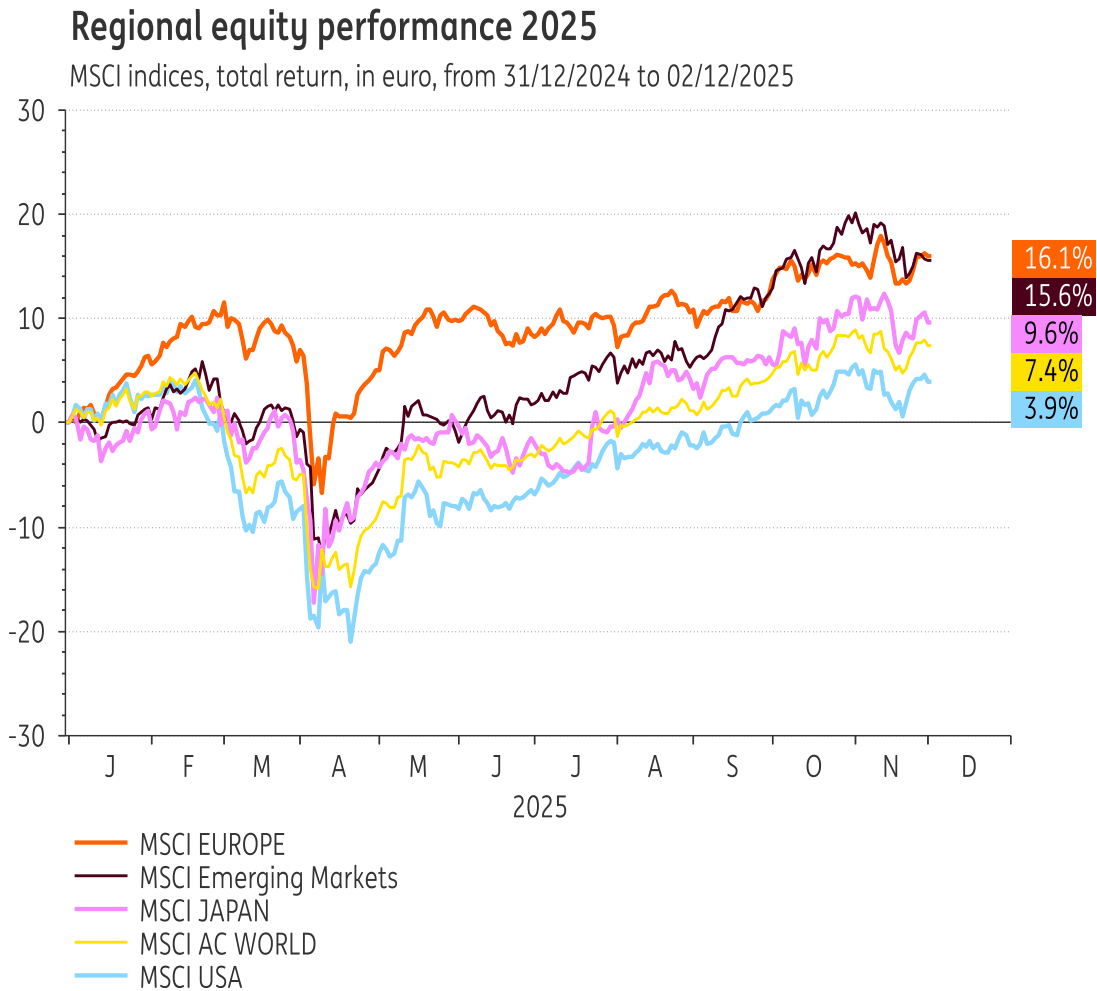
Source: Bloomberg, J.P.Morgan



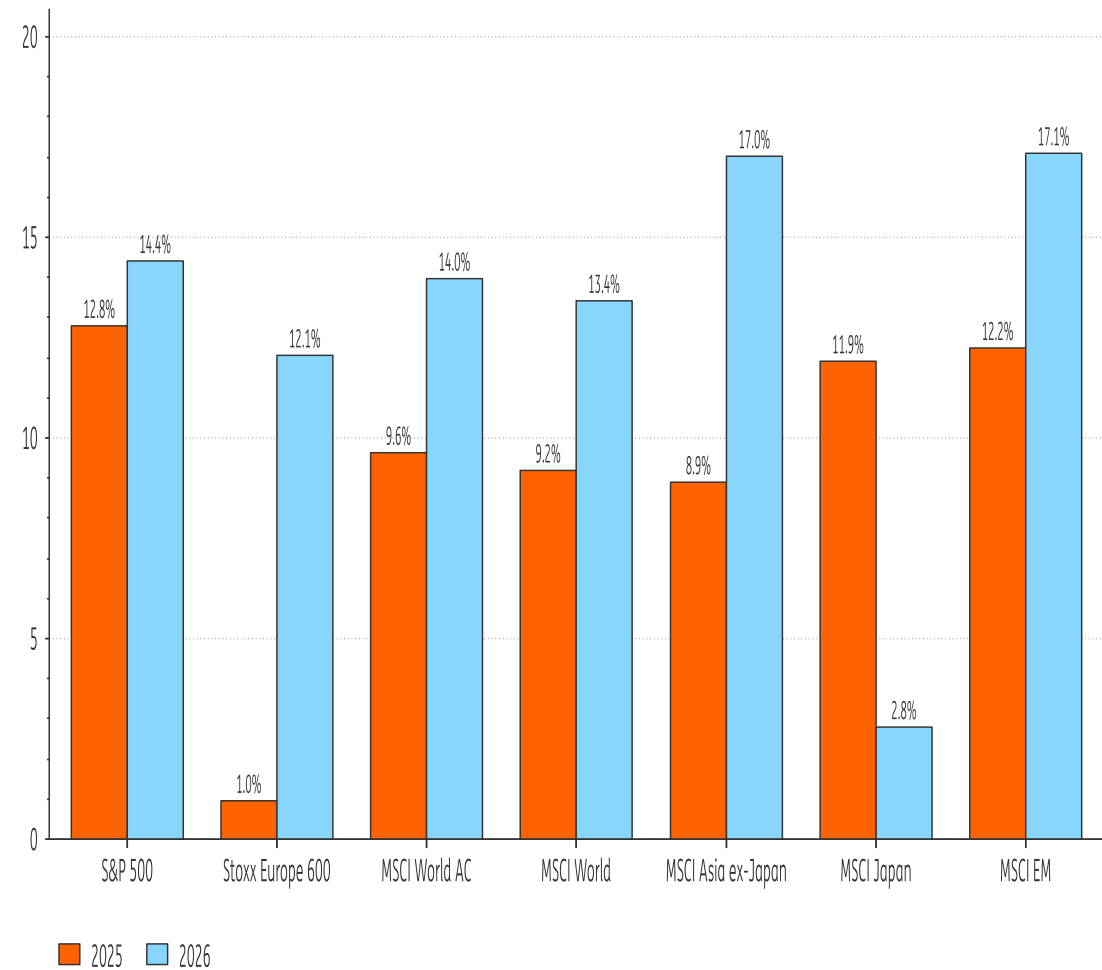
Source: LSEG Datastream, ING Investment Office , 01/12/2025



# EM have outperformed this year—even in Euro terms—and their relatively stronger earnings growth should continue to provide support



Source: LSEG Datastream, ING Investment Office , 02/12/2025

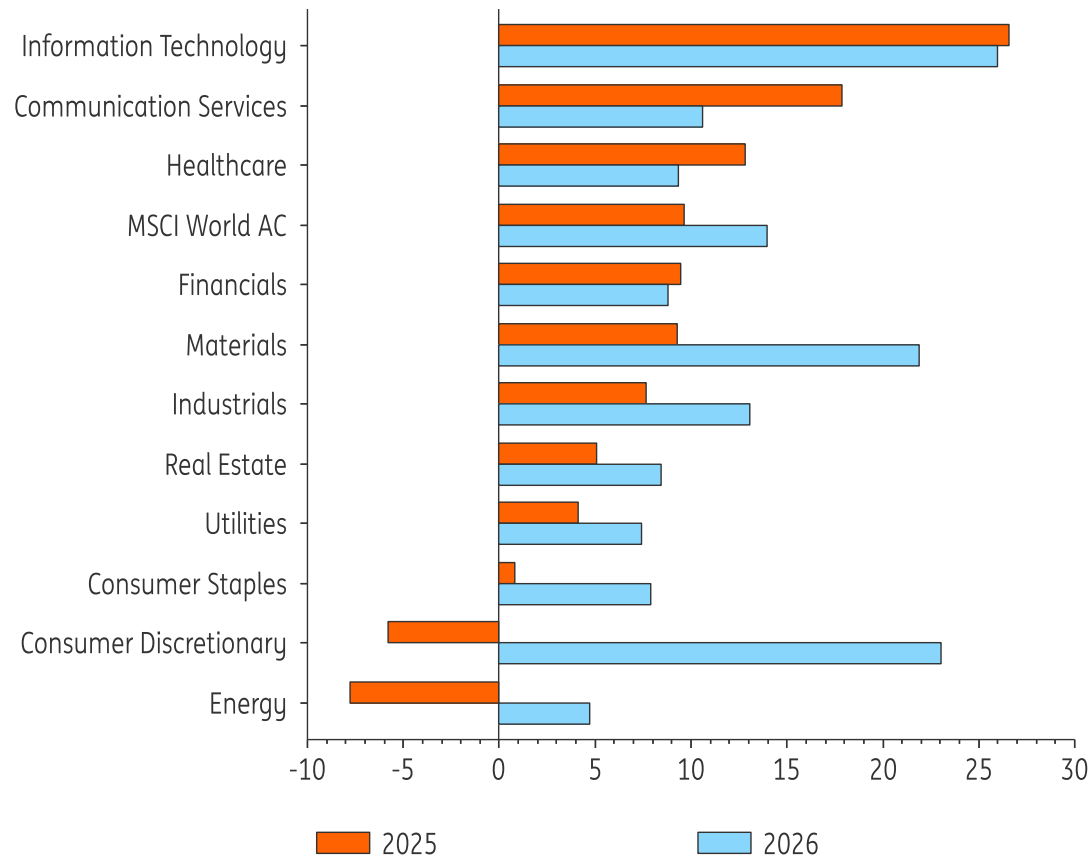


Source: LSEG Datastream, ING Investment Office , 20/11/2025



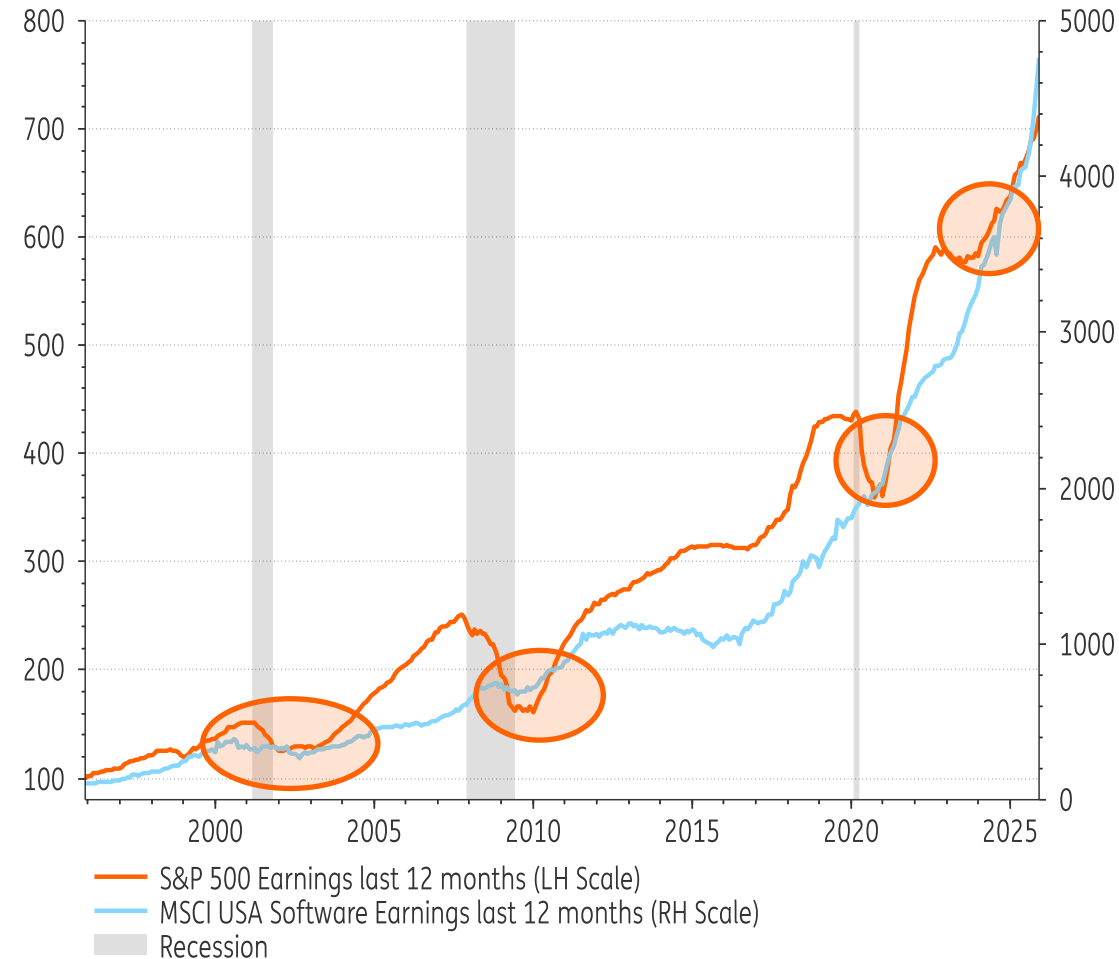
# At a sectoral level, we have preference for the technology sector

MSCI ACWI earnings growth estimates by sector



Source: LSEG Datastream, ING Investment Office , 02/12/2025

IT Sector earnings resilience

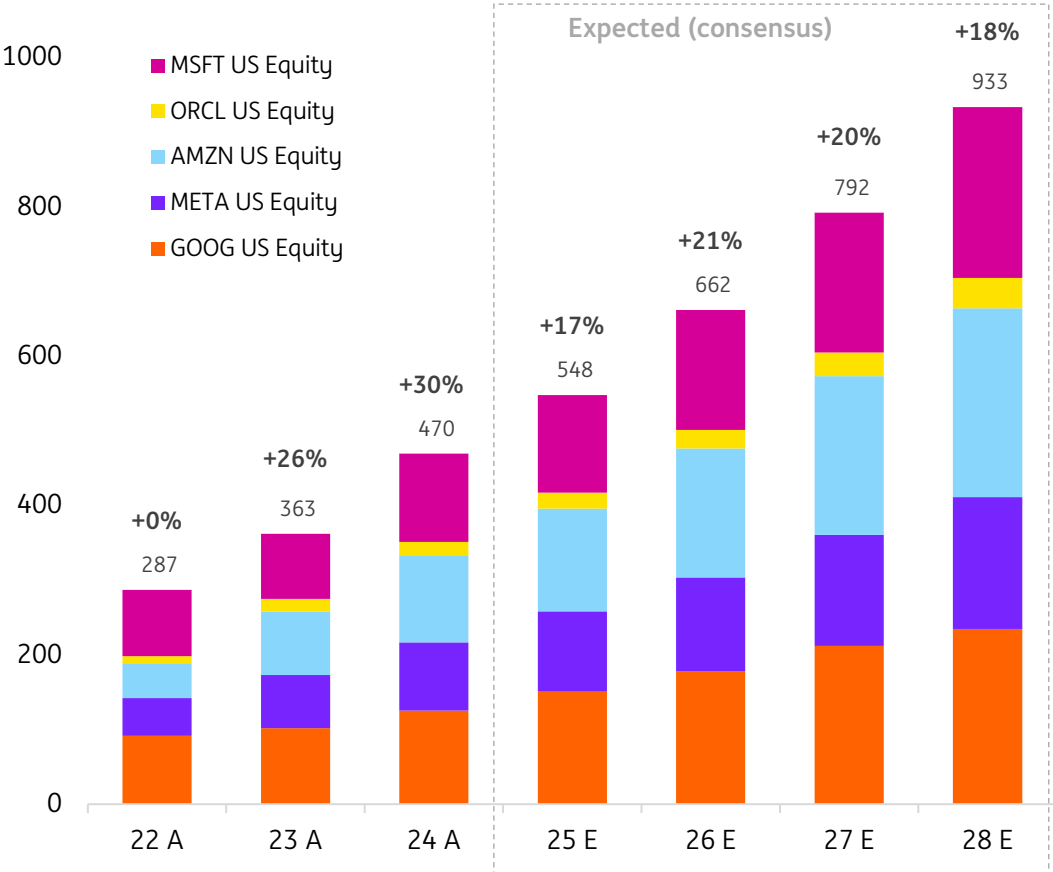


Source: LSEG Datastream, ING Investment Office , 20/11/2025



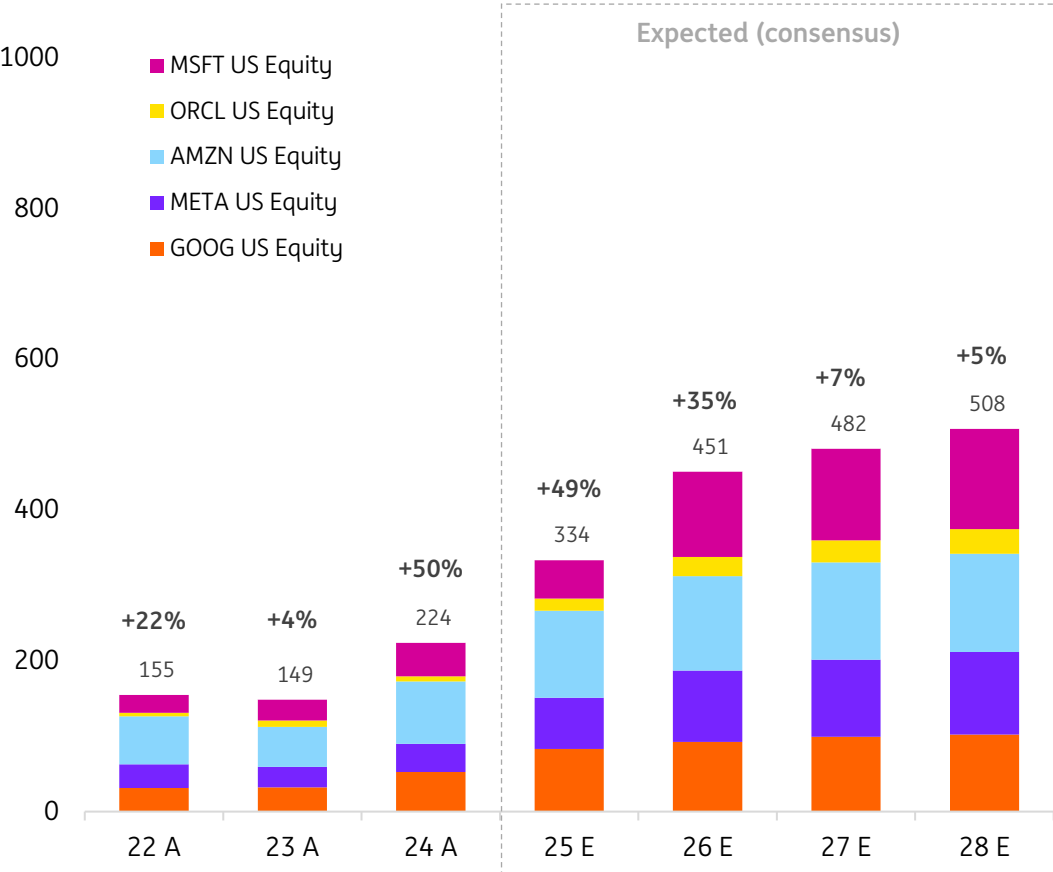
Capex should continue to drive strong EPS growth, and despite elevated valuations, concerns about a bubble remain premature

Operating cash flow hyperscalers (\$bln)



Source: Bloomberg, ING Investment Office

Capital expenditures hyperscalers (\$bln)

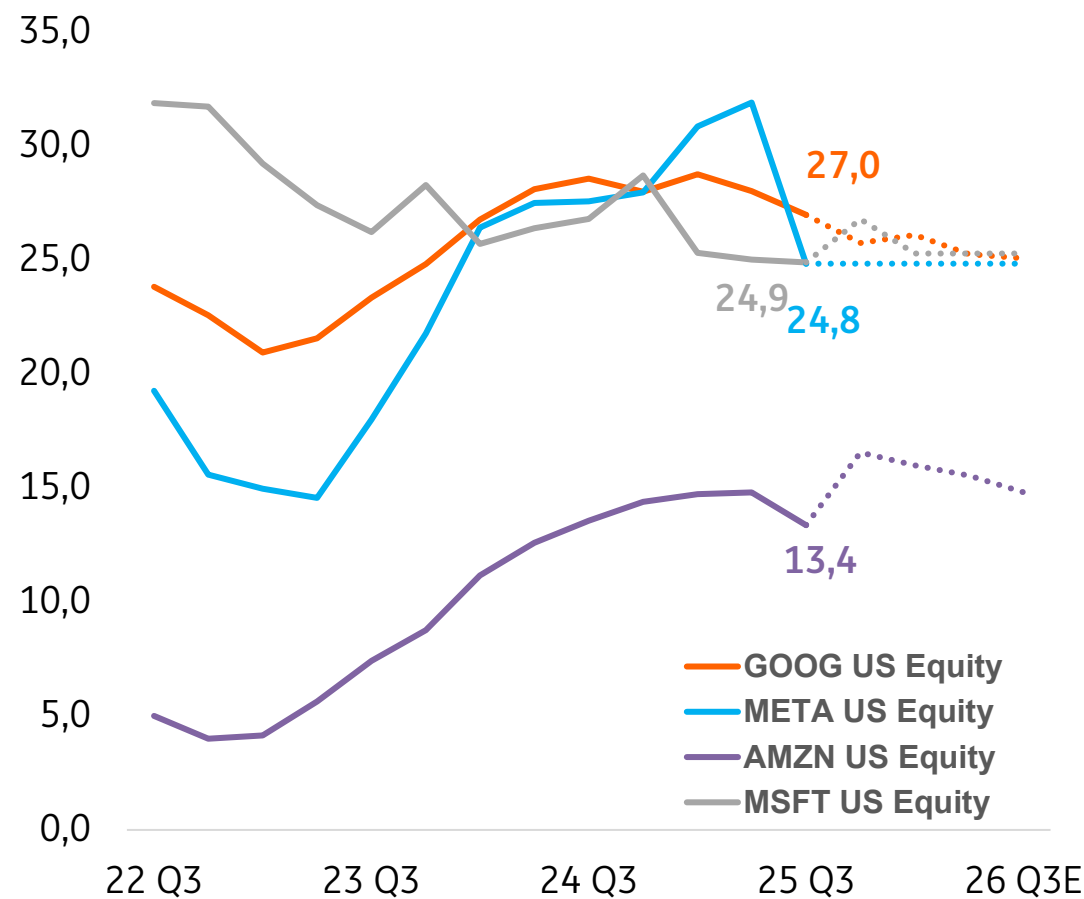


Source: Bloomberg, ING Investment Office

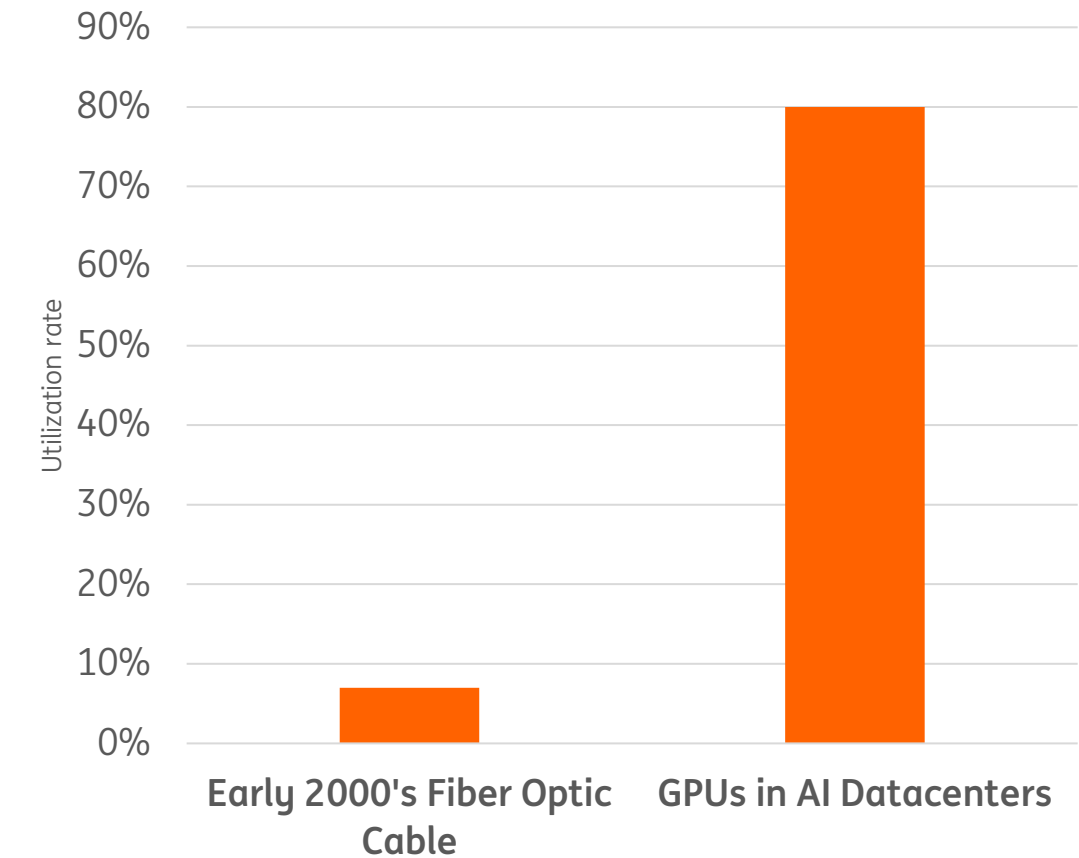


At the peak of the dot-com era, only about 7% of the fiber-optic network was being utilized while data center utilization levels hover today around 80%

Return on Invested Capital (in%)



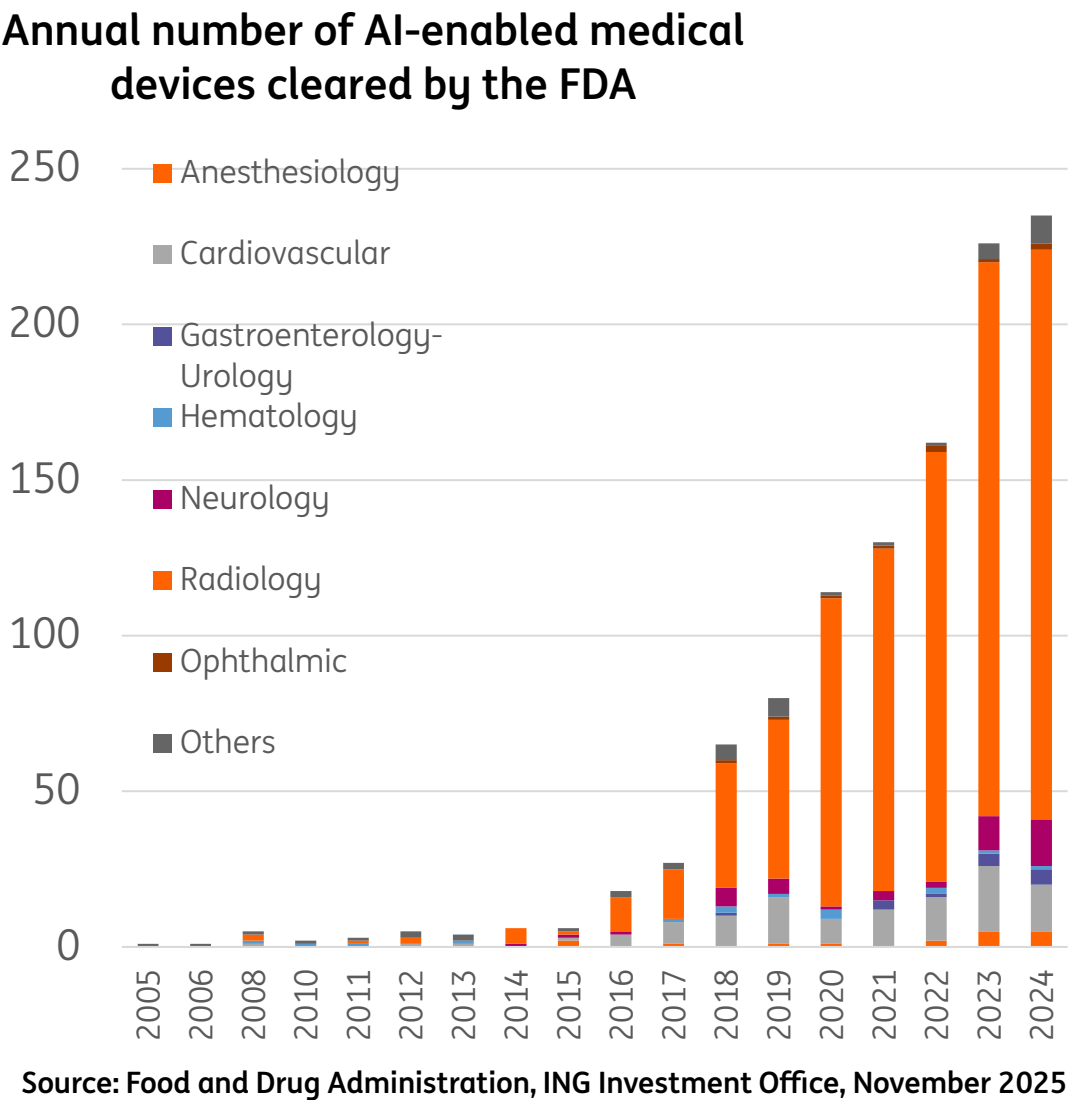
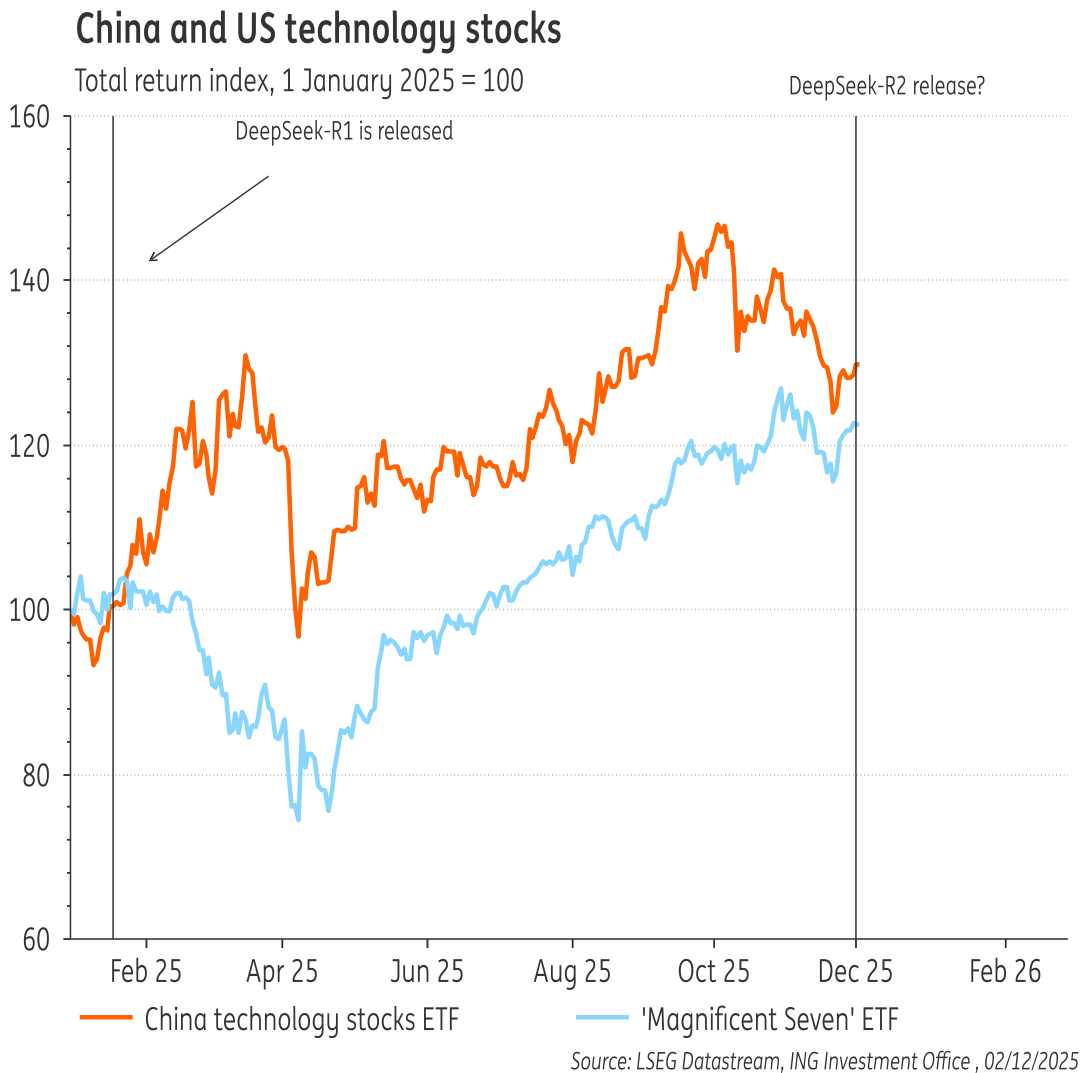
AI infrastructure is operating at near-full capacity—unlike the underutilized fiber-optic networks of the early 2000s



Source: (Left) Bloomberg, ING Investment Office, 06/11/2025. (Right) Fiber optic cable utilization sourced from Harvard Business School study "Level (3) Communications in 2001: The 'Pivotal Year'" published on April 2001; GPU utilization sourced from NBER paper "Flexible Data Centers and the Grid: Lower Costs, Higher Emissions?" published in July 2025; J.P. Morgan Asset Management assumptions of data center capacity from company reports.

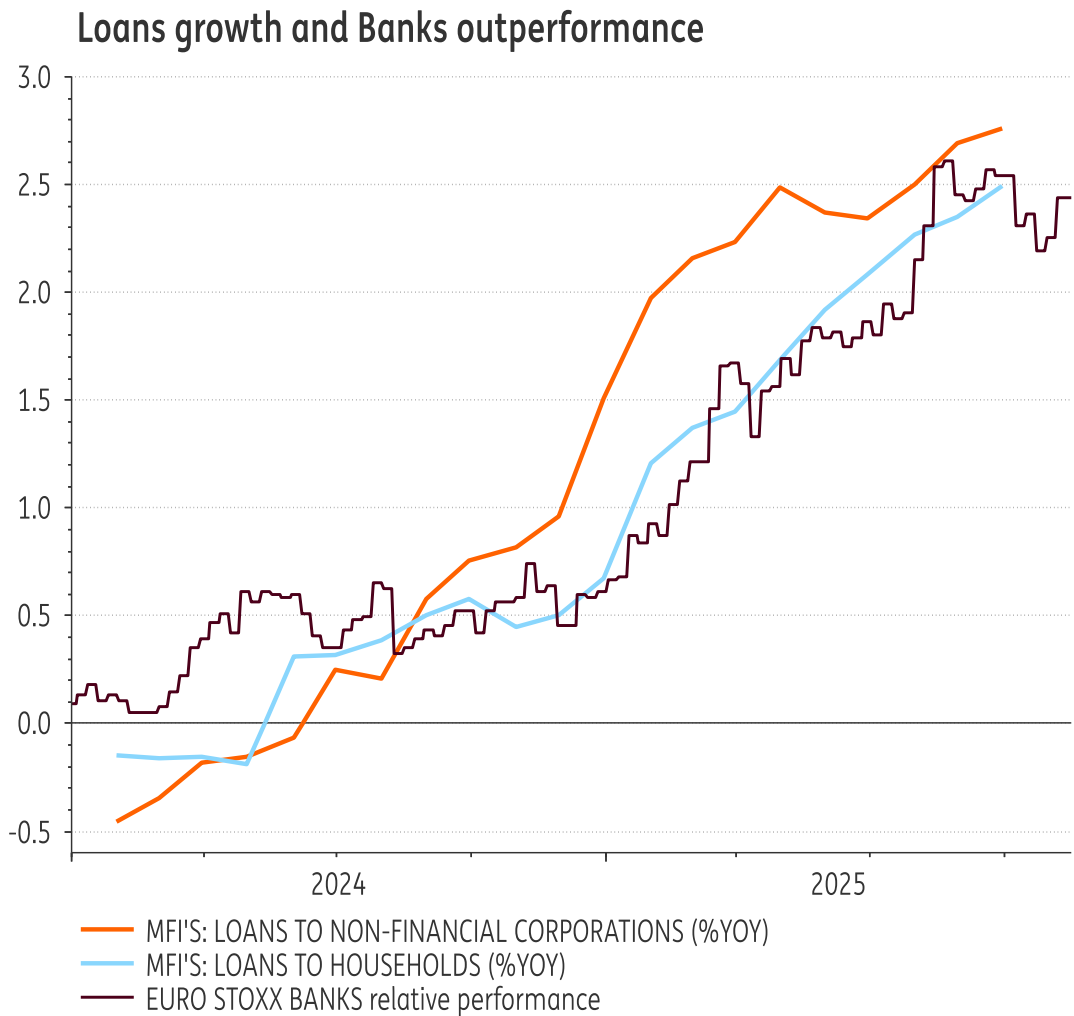


# We have extended our preference for the technology sector to China Tech, and to sectors like healthcare, where AI could drive disruption

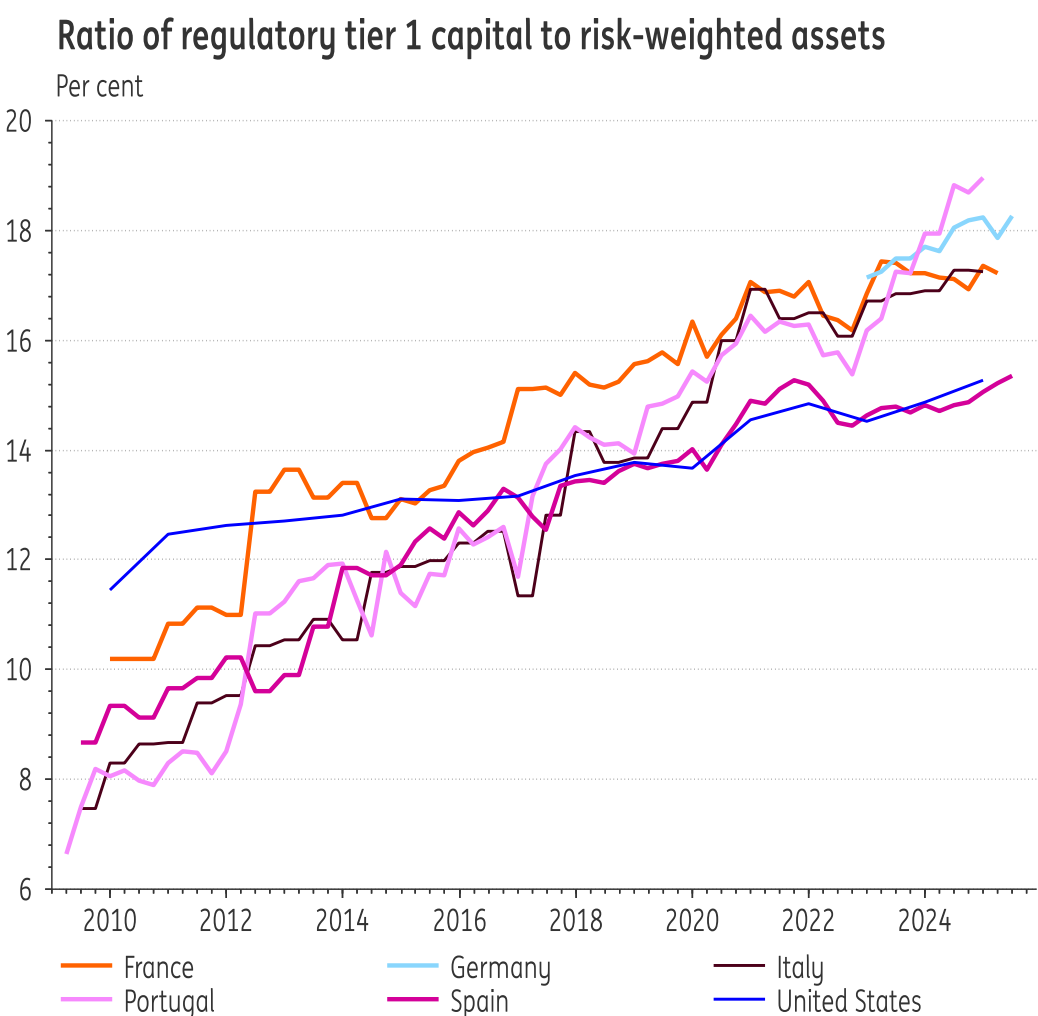




In Europe, Banks continue to benefit from strong while in the US, deregulation and higher loan growth could be game changers in 2026



Source: LSEG Datastream, ING Investment Office , Sep 25

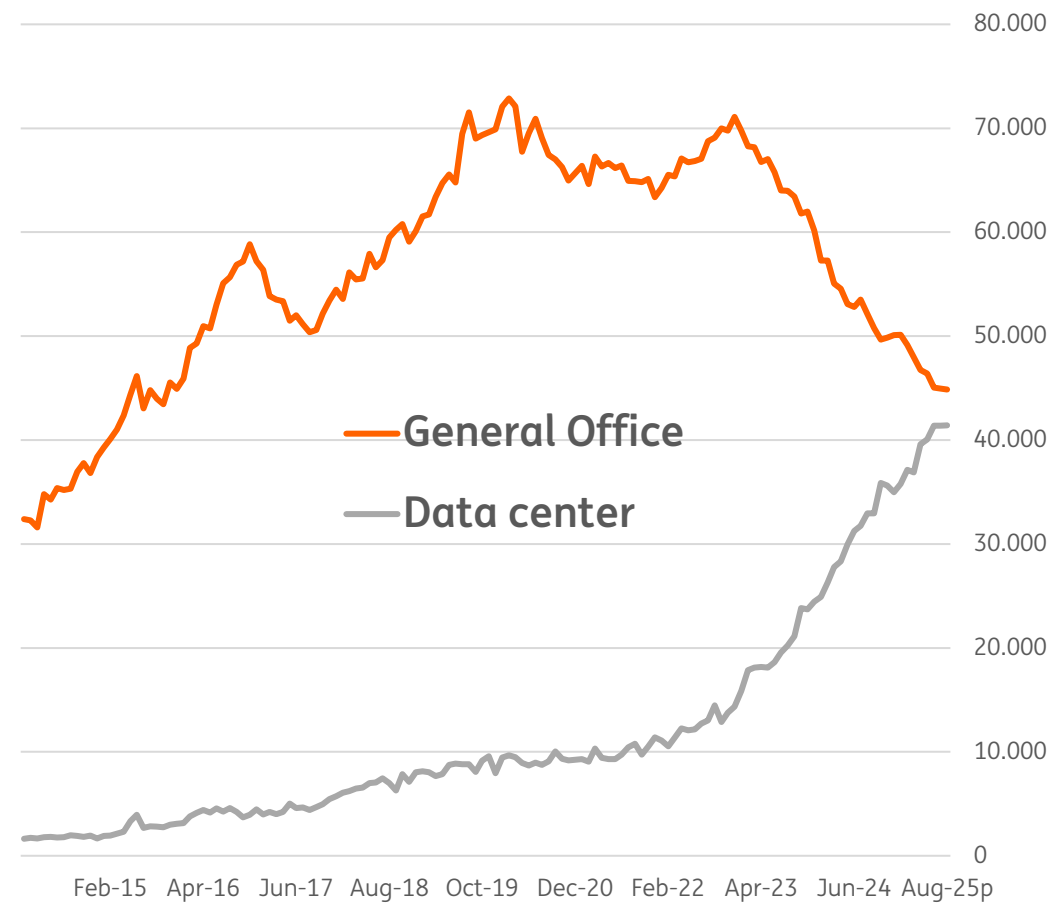


Source: LSEG Datastream, ING Investment Office , Q1 25



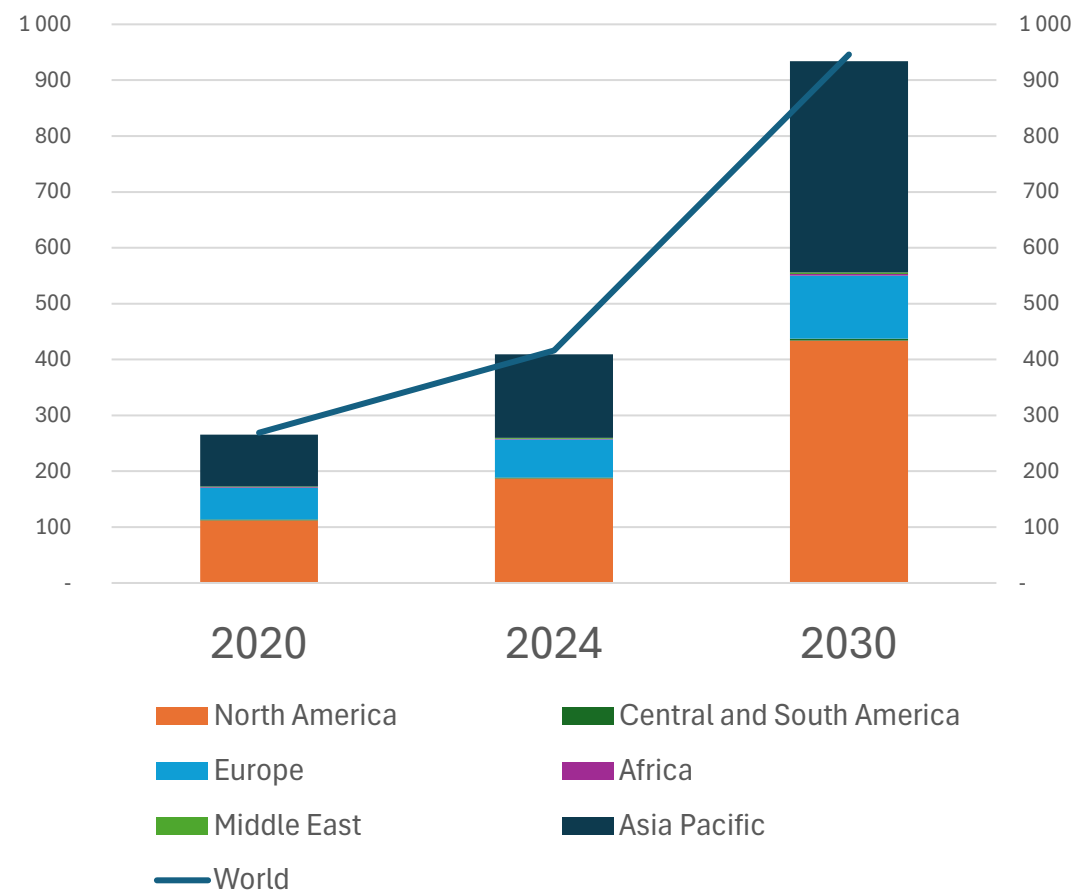
# The construction of data centers is overtaking office construction in the US, further increasing power demand which is why we have upgraded Utilities

Data Centers vs. Office construction in the U.S. (saar in \$mln)



Source: US Census Bureau, ING Investment Office, November 2025

Datacenters total electricity consumption in TWh

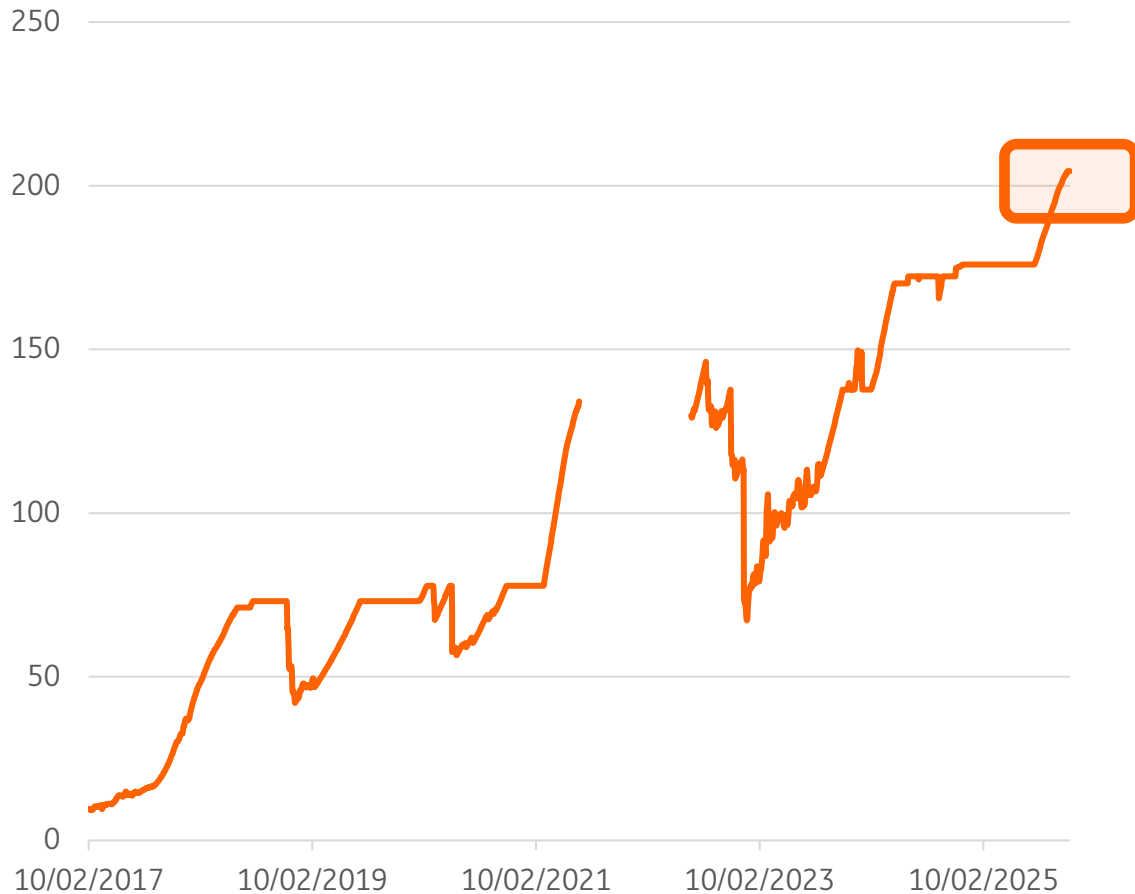


Source: International Energy Agency, ING Investment Office, November 2025

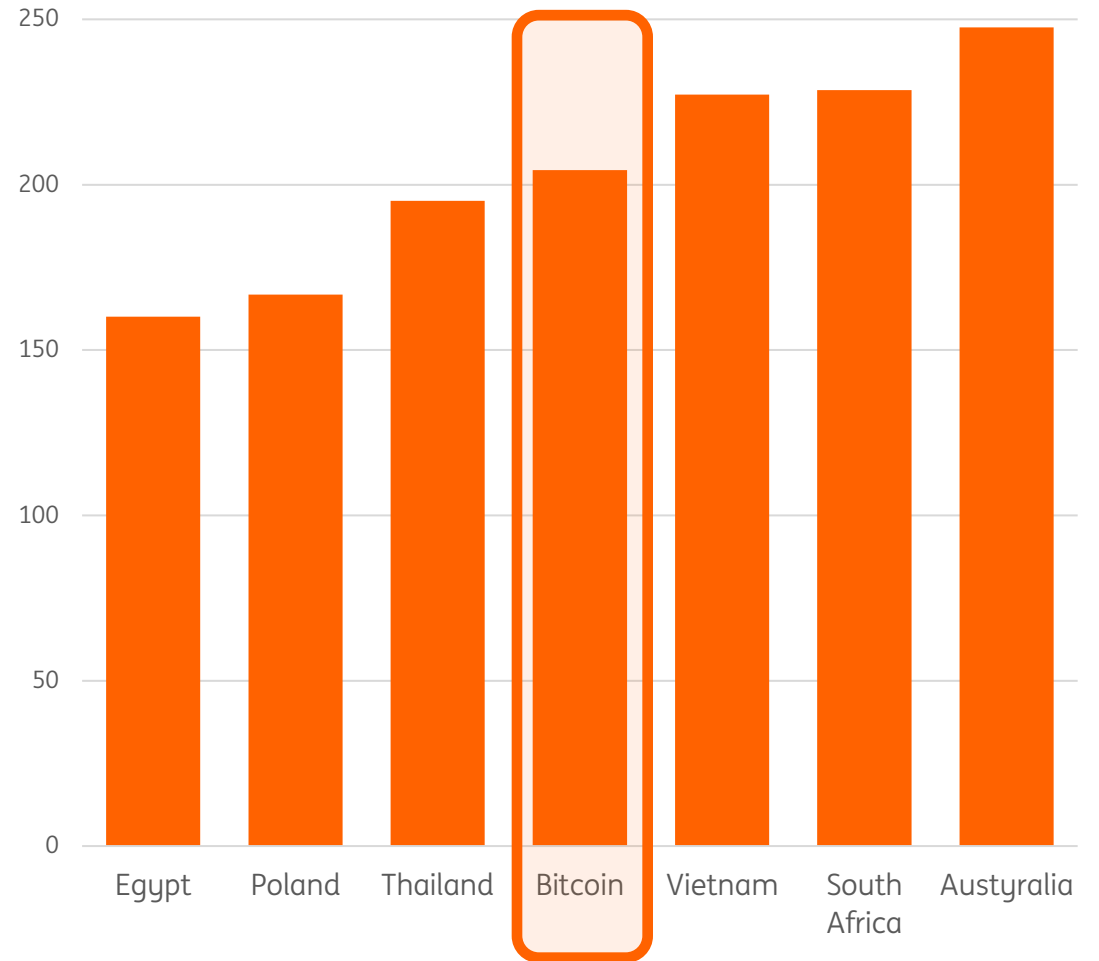


# Mining Bitcoin and other cryptocurrencies is highly energy-intensive

## Bitcoin mining energy consumption in TWh per year



## Bitcoin mining energy consumption in TWh per year vs selected countries





# Agenda

- 1 *Fixed income markets remain confronted with cross currents*
- 2 *Equity Markets: Neutral stance but capturing opportunities across sectors/regions*
- 3 ***Tactical Asset Allocation (TAA): Stay invested, but remain well diversified***



# In 2026, portfolio diversification will remain key and Gold remains an excellent portfolio diversifier

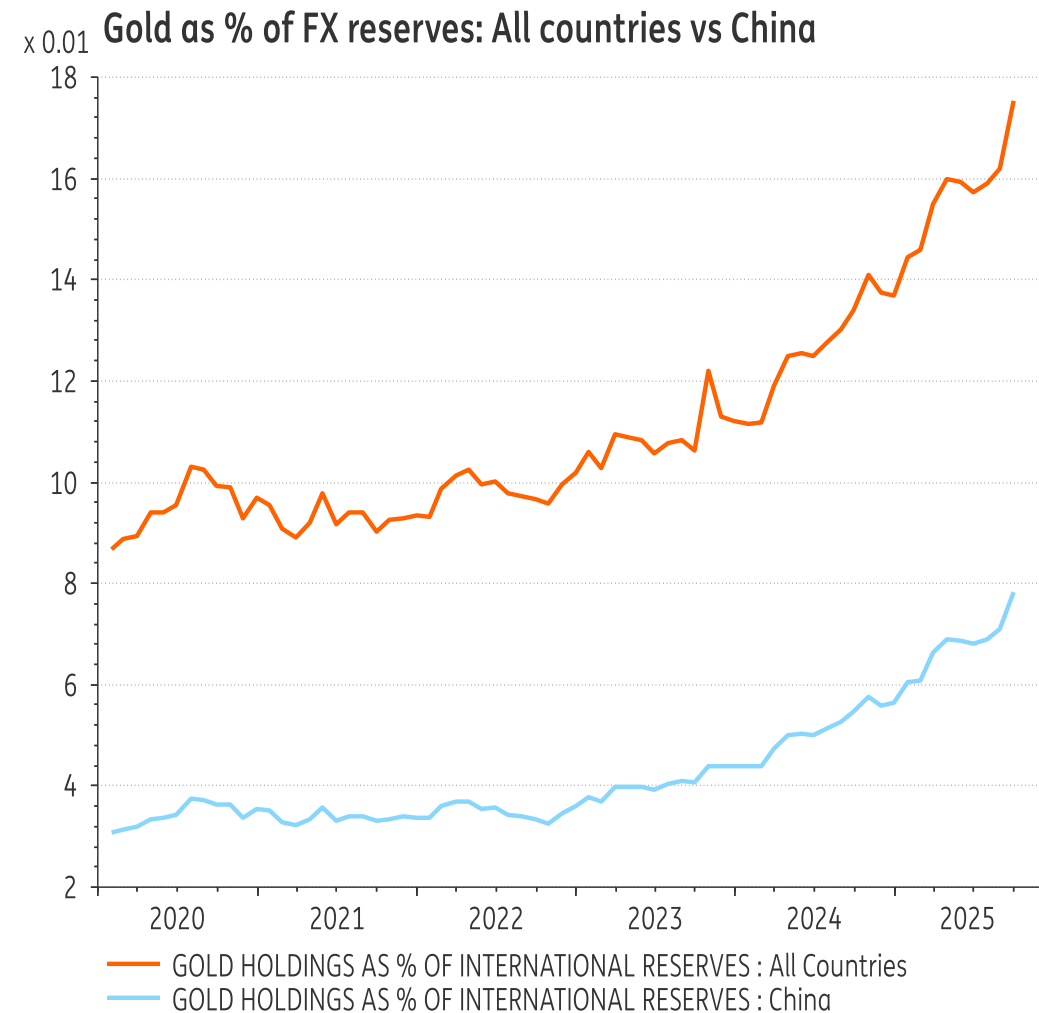
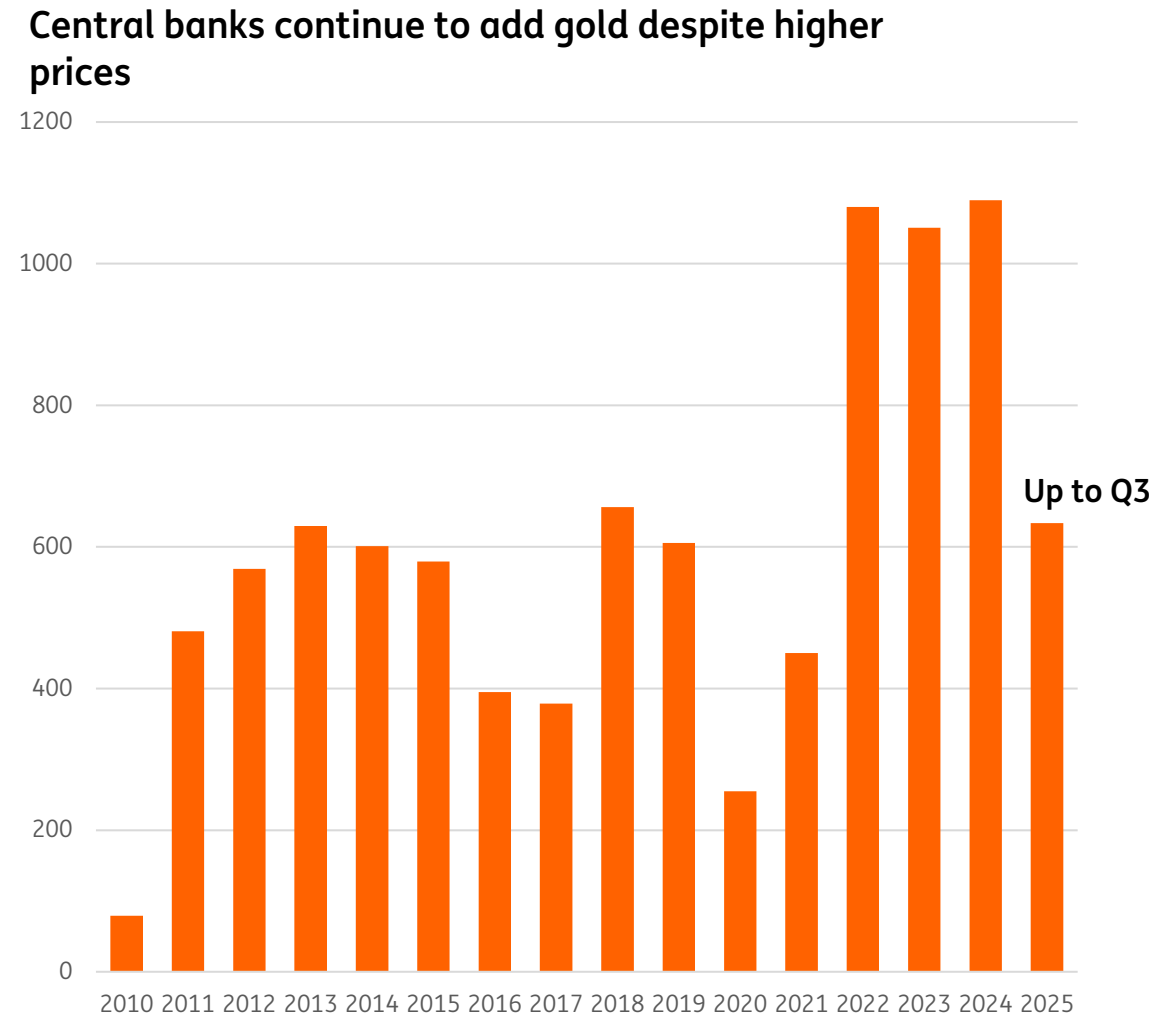
Daily % change correlation over 1 year (261 trading days) - with conditional formatting applied

	MSCI Dev	MSCI Emrg	S&P 500	STOXX	Nikkei	Euribor 3M	US 10Y	BD 10Y	R. Est.	Commod.	Oil	Gold	Dollar	Yen/\$	Bitcoin
MSCI Developed	1.00	0.28	0.96	0.42	0.15	-0.02	-0.02	-0.04	0.65	0.34	0.18	0.08	-0.05	0.01	0.44
MSCI Emerging	0.28	1.00	0.11	0.60	0.60	0.04	-0.02	-0.12	0.27	0.12	-0.08	0.11	-0.16	-0.05	0.15
S&P 500	0.96	0.11	1.00	0.21	-0.03	-0.01	-0.05	-0.02	0.57	0.30	0.22	0.01	0.09	0.09	0.43
STOXX Europe	0.42	0.60	0.21	1.00	0.58	-0.06	0.02	-0.11	0.38	0.19	-0.02	0.09	-0.07	0.07	0.10
Nikkei 225	0.15	0.60	-0.03	0.58	1.00	-0.09	-0.06	-0.16	0.13	0.06	-0.05	0.01	-0.10	0.13	-0.03
Euribor 3M	-0.02	0.04	-0.01	-0.06	-0.09	1.00	0.06	0.19	0.05	-0.06	-0.07	0.03	0.01	-0.07	0.00
US 10Y Treasury	-0.02	-0.02	-0.05	0.02	-0.06	0.06	1.00	0.48	0.30	-0.17	-0.26	0.06	-0.26	-0.41	-0.06
Germany 10Y Bund	-0.04	-0.12	-0.02	-0.11	-0.16	0.19	0.48	1.00	0.17	-0.14	-0.12	0.15	-0.02	-0.29	-0.02
Real Estate	0.65	0.27	0.57	0.38	0.13	0.05	0.30	0.17	1.00	0.25	0.05	0.20	-0.28	-0.26	0.27
Commodities	0.34	0.12	0.30	0.19	0.06	-0.06	-0.17	-0.14	0.25	1.00	0.60	0.53	-0.09	-0.06	0.26
Crude Oil	0.18	-0.08	0.22	-0.02	-0.05	-0.07	-0.26	-0.12	0.05	0.60	1.00	0.11	0.26	0.16	0.13
Gold	0.08	0.11	0.01	0.09	0.01	0.03	0.06	0.15	0.20	0.53	0.11	1.00	-0.41	-0.34	0.15
Dollar Index	-0.05	-0.16	0.09	-0.07	-0.10	0.01	-0.26	-0.02	-0.28	-0.09	0.26	-0.41	1.00	0.57	-0.09
Yen per US\$	0.01	-0.05	0.09	0.07	0.13	-0.07	-0.41	-0.29	-0.26	-0.06	0.16	-0.34	0.57	1.00	-0.03
Bitcoin	0.44	0.15	0.43	0.10	-0.03	0.00	-0.06	-0.02	0.27	0.26	0.13	0.15	-0.09	-0.03	1.00

Source: LSEG Datastream, ING Investment Office , 01/12/2025



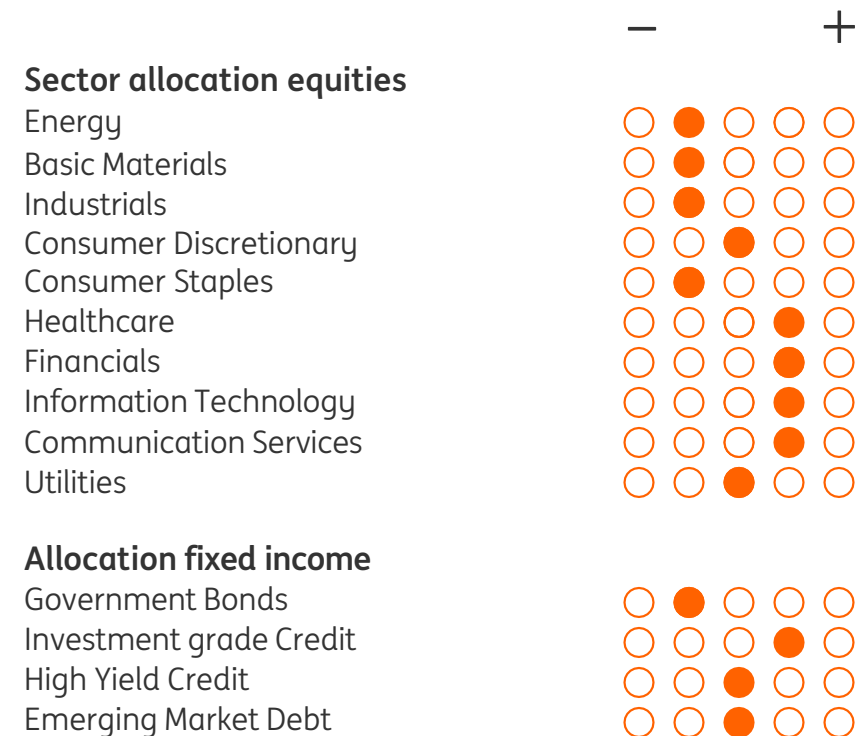
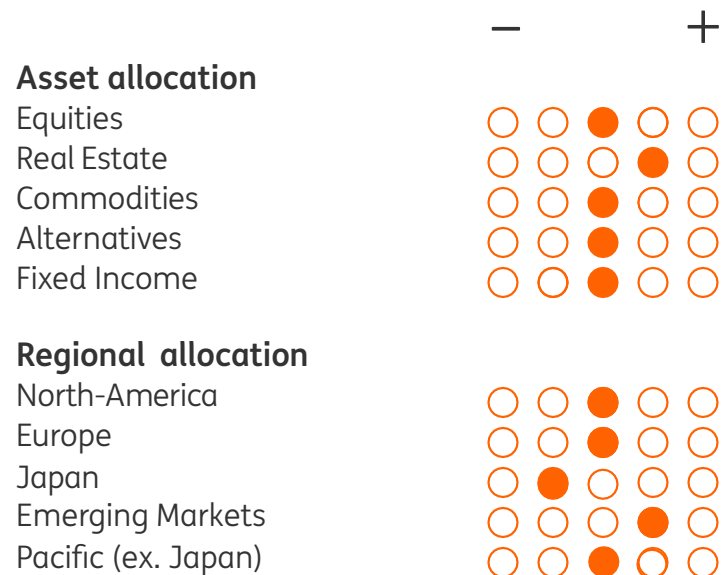
# The long-term bullish case for Gold remains intact as (EM) Central Banks should continue to buy gold to diversify their FX reserves



Source: LSEG Datastream, ING Investment Office, Sep 25



# ING Investment Office Tactical Asset Allocation December 2025





# Thank you for your attention

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