

# ERSTE INSIGHTS 2026

Report Update:  
In light of the war in the Middle East



# A message from Erste Group's Chief Investment Officer

The tragic events unfolding in the Middle East weigh heavily on many people. Not only because of the human suffering involved, but also because such conflicts inevitably spill over into global economic and financial systems. The current conflict influences markets through energy prices, inflation expectations, and investors' risk sentiment. However, investors must **evaluate whether such developments fundamentally change the economic outlook** or mainly create **temporary market volatility**.

Financial **markets** often **react strongly to geopolitical** events, but **long-term investment outcomes** are **primarily determined by structural developments** such as technological change, demographics, and macroeconomic policy trends.

In this Update we briefly assess which **investments perspectives** – outlined in our Erste Insights 2026 report published at the beginning of this year – **remain unchanged** and where we see a need for **adjustments to our outlook**.

As **no one can truly predict** the future developments of this geopolitical event and their implications, we emphasize how important it is to **stay with sound investment practices** to **protect your wealth** and **prepare for future opportunities**.

Sincerely,  
Rainer Hauser  
Chief Investment Officer at Erste Group



# Perspectives that remain unchanged

Several structural perspectives from the original Chief Investment Office (CIO) outlook remain valid despite the geopolitical escalation in recent weeks.

The macroeconomic baseline still holds: the Eurozone is set to grow moderately with help from domestic spending, as we expect a relatively short-lived disruption in the oil and gas supply. The ECB should keep rates steady throughout the year, and Central and Eastern Europe will grow faster than the Eurozone, with some gradual rate cuts taking place in the CEE region.

The US is expected to expand at a moderate pace with inflation that could prove sticky, and when it comes to emerging markets: China's economy slows but keeps shifting toward more consumer-led growth, while growth in India stays driven by strong domestic demand even if global trade is bumpy.

The long-term themes highlighted of the report remain the core foundation of our strategic outlook. These include the ongoing acceleration of digitalization and the expanding role of Artificial Intelligence, the multi-year investment cycle tied to the energy transition and the build out of grids, storage and sustainable industrial technologies, as well as the modernization of critical infrastructure across developed markets.

These structural drivers are complemented by demographic shifts that shape healthcare, pharmaceuticals and selective consumer segments, and by the re-regionalization of global supply chains, which continues to create opportunities in automation, industrial production and resilient manufacturing networks. Together, these themes form the stable, multi-year pillars of our investment stories.



# Adjustments to the outlook

The war in the Middle East affects markets primarily through energy prices, transportation costs and increased uncertainty. The key question is therefore whether the rise in energy prices remains only a short-lived shock or persists for several months. This will determine whether the markets and economies quickly return to the base scenario we'd outlined in our Erste Insights report, or slip into a stagflationary environment in which purchasing power, corporate profits and investor risk appetite all deteriorate at the same time.

→ **Scenario 1 (the effects fade quickly):**

If energy markets calm down in the near future, the inflation impulse would remain temporary and market sentiment would stabilize.

In this case, equities would generally benefit. European equities in particular may recover once cost pressures ease, and emerging markets would gain support.

Government bonds in Europe and the US would be supported by declining inflation concerns, while corporate bonds (Europe/US) would benefit from falling credit spreads.

Among alternative investments, energy commodities would lose part of their crisis premium, whereas industrial metals would benefit from an intact growth outlook.

→ **Scenario 2 (the effects persist):**

If energy prices remain elevated, the shock becomes economically significant: purchasing power declines, profit margins come under pressure, and inflation stays high. Moreover, central banks' room to cut rates becomes constrained. This is the classic stagflation risk.

As a result, equities would come under pressure, especially in Europe. US equities may hold up relatively better, while emerging markets would face additional headwinds.

European government bonds may lose value due to persistent inflation pressure and rising yields. Emerging-market bonds, as well as corporate bonds, typically weaken in such an environment, as credit spreads widen.

On the alternatives side, gold and energy commodities should become more attractive, while industrial metals would likely be less favored.



# Why sound investment practices remain relevant

Periods of geopolitical uncertainty reinforce the importance of disciplined investment strategies.

Diversification helps reduce exposure to individual shocks because asset classes react differently to economic developments.

Maintaining a long-term investment horizon is equally important. Geopolitical events often dominate headlines, but their long-term economic impact is frequently limited.

Disciplined investment behavior therefore remains essential for navigating turbulent periods.



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# About us & Contact

Erste Group is the leading banking group in Central Europe. Since its founding as the first Austrian savings bank in 1819, Erste has stood for financial inclusion and the promotion of economic prosperity.

Today, the banking group serves around 23 million customers in eight core markets: Austria, Croatia, the Czech Republic, Hungary, Poland, Romania, Serbia and Slovakia. Erste Group offers private, corporate, and institutional clients a broad range of banking and financial services – from retail and private banking to corporate and transaction banking, as well as asset management. In doing so, the Erste Group combines digital innovation with a strong branch network.

For the 2025 financial year, the group reported a net result of 3.5 billion euros, while its CET1 ratio stood at 19.3%. More than 55,000 employees contribute to the banking group's success. Its total assets amounted to 368.6 billion euros.

The Erste Group Chief Investment Office (CIO) provides an integrated investment perspective combining research, asset management and capital-markets expertise to guide investors through complex market environments - distinguishing temporary disruptions from structural economic forces.

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## GRAPHIC DESIGN

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These documents can be obtained free of charge from here: Erste Group Bank AG, Am Belvedere 1, 1100 Vienna

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THE FOLLOWING IMPORTANT LEGAL INFORMATION REFERS TO THE CONTENT OF ERSTE GROUP RESEARCH ON PAGE 3.

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