

Market Commentary on the Q1'2026 Results Season:

Navigating Through a Remarkable Tale of Two Stories

From a capital markets perspective, the first three months of 2026 have been a **tale of two stories**: while the launch of Anthropic's Claude Code tool for software engineering triggered **new investor enthusiasm about agentic AI** being able to carry out complex tasks independently, wiping out billions of dollars in market valuation of listed companies in data, enterprise software, advertising and publishing,ⁱ the **military attack on Iran in late February** and, specifically, the closure of the Strait of Hormuz, resulted in an **unprecedented energy crisis**, with severe implications for industries along the value chain, notably chemicals, fertilisers and the food industry.ⁱⁱ Ironically, professional fund managers were reminded about the ongoing **'regime change' in rotating back towards physical assets**,ⁱⁱⁱ with the new digital world and its **AI buildout being faced with a 'material trap'**, ranging from reliable power and grid access to substations, cooling plants, switchgear, transformers, memory, land, construction and engineering labour.^{iv}

Still, while the **market has largely shrugged off the commodities disruption so far**,^v notably with US companies being seen materially less sensitive to the war in Iran,^{vi} but also emerging market stocks reaching record highs driven by large Asian semiconductor companies,^{vii} the **key focus of investors and analysts during the ongoing Q1'2026 reporting season** has been on the following themes: a) specific operational and/or logistical exposure to the Middle East;^{viii} b) corporate assumptions about the **end of disruptions in the Middle East underlying their Q2'2026 and FY2026 guidance**;^{ix} c) the implications of **inflationary cost pressure**, notably on companies' pricing policy;^x d) first signs of **'hoarding' (stockpiling) and pre-buying activity** as a result of supply chain disruptions^{xi}; e) the need for **energy security, diversification, local energy resources and the implicit speed up of the energy transition** as a result of the conflict in the Middle East (Olivier Le Peuch, CEO of SLB); f) the **'AI productivity phenomenon'** (Ted Pick, CEO of Morgan Stanley) and the resulting change in business model and new defensive (cyber) capabilities (Jane Fraser, CEO of Citigroup);^{xii} and g) the **'ability of M&A driving scale** through significant technological opportunities' (David Solomon, CEO of Goldman Sachs).^{xiii}

With this in mind, and while we had frequently covered various AI-relevant topics in the past, we start with the **debate on technology sovereignty as Europe and China have increasingly tried to challenge the US dominance** through various political, trade and regulatory measures. We then focus on **China, as some of the latest economic statistics** have revealed more significant faultlines in central economic planning and, more importantly, future growth. This will be followed by a **case study on the defence industry**, mostly US and European, with a particular focus on state-sponsored industrial policy, government procurement and investments in new technology. As the valuation and **pricing of the AI impact** has become an increasing challenge for professional investors,^{xiv} we discuss the implications for **productivity gains and labour casualties** in a separate section. We finish with more **governance-related themes in the current investor debate**, including **shareholder activism** and the **theft of trade secrets**.

AI SOVEREIGNTY

As transatlantic relationships have deteriorated, military security became paramount and global trade got increasingly fractured, the topic of AI (and implicitly broader technology) sovereignty has gained greater prominence not only in Europe and China but also elsewhere, notably in Asia-Pacific (Japan, Australia, New Zealand) and Latin America (Brazil, Argentina, Mexico). With US foreign policy becoming more interventionist and unpredictable (Venezuela, Greenland, Iran), existing contracts between European military forces and US-based cloud providers, data analytics and software companies came under increasing scrutiny.^{xv} At the same time, there is a significant cultural divergence between US-style *laissez faire*, Chinese state control and European preference for AI model accuracy, reliability and private data protection. Given the greater concentration of corporate champions in industrial and safety-sensitive sectors (aerospace, energy, finance, healthcare) in Europe, there is naturally a desire for more investment in verifiable AI, but it lacks financial power, talent and established technology ecosystems to move beyond the current patchwork of national programmes and research efforts.^{xvi}

With US authorities having the power to force US companies to hand over data around the world, there is growing anxiety about national security vulnerability in Europe and elsewhere given the heavy reliance on US companies for critical infrastructure despite their recent marketing campaigns of ‘sovereign solutions’ for AI, cloud services and data centres.^{xvii} For professional investors this has often direct implications when it comes to M&A between US and national (sovereign) cloud companies (Solvinty in the Netherlands), the sharing of cyber security information or the renewal of licences for telecom equipment operators (Huawei vs Nokia and/or Ericsson in Europe).^{xviii} While many new European tech start-ups and established technology companies are receiving investments on the back of the growing demand for alternatives to US companies,^{xix} there are also significant critical voices trying to caution about prioritising sovereign AI infrastructure by throttling ‘innovation speed’ (Roland Busch, CEO of Siemens).^{xx}

CHINA’S ECONOMIC STATISTICS

China surprised this year by setting a lower GDP target of between 4.5 and 5 per cent for 2026, implying adjustments not only for geopolitical risk but also domestic supply and demand, notably a higher 4 per cent fiscal deficit target (above the preferred level of 3 per cent), growth in defence spending being lower than the 7.2 per cent last year, and a 2 per cent CPI growth target despite prolonged deflationary pressures.^{xxi} Still, the GDP growth target surprised also for being ‘unrealistic, damaging for the world and self-destructive for China’ (Ruchir Sharma) as this kind of growth ambition is driven more by the political goal to become a developed economy by 2035, largely on the back of overinvesting for many years and dumping excess output to the rest of the world.^{xxii} Net exports accounted for almost one third of China’s GDP growth in 2025 and – faced with a shrinking labour force and massive debt – the real potential growth rate is estimated at 2 to 3 per cent despite massive investment in new technology including AI to boost productivity.^{xxiii}

Another surprise in China’s economic statistics came a few months earlier, when a decline in fixed asset investment was reported between September and November 2025, implying a 10.7 per cent year-on-year decrease in November and indicating a significant slowdown in investment, with

official ‘anti-involution’ policies, the slump in the property market and slowing infrastructure-related fiscal spending explaining only part of the mystery.^{xxiv} While much of the sudden surprise was also interpreted as a statistical correction of previously over-reported data, economists and analysts are often left guessing as China not only stopped reporting sectoral breakdowns of fixed asset investment by value since 2018 – leaving only growth rates across different sectors – but also doesn’t publish full quarterly breakdowns of GDP by investment, consumption and net exports. The eight-months’ contraction in factory activity in 2025 – with a short recovery in December – indicates more structural problems of over-investment and unsustainable domestic competition in some manufacturing industries.^{xxv}

CASE STUDY: DEFENCE INDUSTRY

Over the last few months, we have closely followed the defence industry, mostly in the US and Europe, with a particular focus on ‘the higher sense of urgency’ under the ‘greater threat environment’ and the drive for more scale and speed to ramp up capacity, with ‘capacity [being] the new capability’ (Chris Kubasik, CEO of L3 Harris Technologies). As government’s openly intervened in defence companies’ operation, different models of state-sponsored industrial policy, government procurement and investments in new technologies evolved.

In the case of the US, framework agreements on pricing, scope and material were signed, which eventually led to long-term contracts of 5-7 years, together with the Department of War taking equity stakes and helping suppliers with loans.^{xxvi} Some US executives called this the ‘golden opportunity’ for commercial contracting with the government (Evan Scott, CFO of Lockheed Martin), helping to enhance the ‘resilience of production capacity’.^{xxvii} They outlined, in particular, the joint focus with the US authorities on small and medium-sized suppliers to meet long-term commitments, including financial help.^{xxviii} At the same time, attempts were made to limit dividend payments, share buybacks and executive pay through the US president’s executive orders.^{xxix}

In turn, Europe appears not only to be more fragmented, but also developing more national champions,^{xxx} which often compete head-on-head for large European contracts (Airbus vs Dassault with respect to FCAS), where disagreements on the leadership role, design and operational issues prevail (Eric Trappier, CEO of Dassault Aviation).^{xxxi} Most of the European military spending has so far gone to big-ticket items (Eurofighter Typhoons, Chinook helicopters, tanks, armoured vehicles, new warships and submarines), with Rheinmetall estimating by its account to have had secured about 40 per cent of the German €100bn special defence fund in 2022 alone and hoping to keep that rate up going forward.^{xxxii}

In this context, a very interesting debate erupted after the publication of an article about the danger of German military hegemony in Europe, particularly if the right-wing AfD were to come to power.^{xxxiii} Suffice to say that professional fund managers probably want to consider various scenarios of political change in Germany, even more so that there will be two regional elections this year where the AfD could gain absolute majority, while the ‘firewall might collapse’ if it wins the next national elections in 2029 (Liana Fox).

Against the backdrop of huge amounts of money being spent on established defence companies in

Europe, producing conventional weapons like tanks, a new debate has evolved among military experts and institutional investors alike to what extent more new start-ups should receive funding as the war in Ukraine and Iran have shown a change in warfare, notably for unmanned weapons powered by AI.^{xxxiv} The other interesting debate has been about the lessons from Ukraine in terms of the economics of war, with a growing understanding that the size of industrial capacity alone is not sufficient – as the Russian war economy has shown in recent years - but there are new developments in terms of mobilisation, logistics and adaptability, notably technological innovation and tactical agility.^{xxxv}

AI PRODUCTIVITY & LABOUR CASUALTIES

Against the backdrop of growing investor enthusiasm about agentic AI, notably the launch of Anthropic's Claude Code tool for software engineering and its potential breakthrough to carry out complex tasks independently, a new discussion about labour productivity gains has evolved,^{xxxvi} specifically to what extent this shows up in statistical data and, more importantly, what the implications for future labour employment might be.^{xxxvii} Researchers at Stanford University recently found the US economy to transition from the AI technology investment phase into a 'harvest phase', suggesting a US productivity increase of 2.7 per cent in 2025, which compares against a much more sluggish 1.4 per cent on average over the last decade, including a cooling in entry-level hiring within AI exposed sectors in 2025.^{xxxviii}

Still, the more relevant for professional fund managers broader debate is to what extent AI is another technology that augments the role of knowledge workers as did the internet and mobile phones when transitioning, for example, from bricks-and-mortar retail stores to websites and, in turn, boosted employment in logistics and warehousing as e-commerce implied more off-site storage, distribution and deliveries.^{xxxix}

With a view on latest employment growth data in the US, economists note that – with the vacancy-to-unemployed ratio being below 1.0 – bargaining power is shifting back to capital and away from workers, which had been at its highest level in early 2022 (above 2.0) as a result of post-Corona pent-up demand. The decoupling of US job growth from economic growth has been described by three major factors: a) signs of 'AI front-running' as companies adapt workflows in anticipation of widespread AI adoption; b) firms are no longer hoarding labour (as they did in 2021-22) even though some supply has been disrupted by immigration curbs; and c) general uncertainty about future economic policies might serve as a restraint on new hiring.^{xl}

From a European perspective, this might be an early indication of future developments, with European car parts suppliers having announced over 100,000 job losses in the past two years given low demand and fierce competition from China,^{xli} although it is not clear to what extent these job losses can be absorbed by the defence sector and/or newly evolving industries.^{xlii}

GOVERNANCE SHORTCOMINGS

It is perhaps a sign of time that – at periods of economic crisis and geopolitical rupture – corporate governance standards get undermined, even more so when the Trump family sets an example for

the ‘normalisation of deviance’ (crypto venture, Emirati investments in family businesses, Epstein revelation), while US CEOs stay largely silent.^{xliii} Recent shareholder resolutions against BP lowering the reporting standards for climate risk disclosure were only one example how the battle over ESG and shareholder rights was spreading to Europe from the US.^{xliiv} At its AGM on 23 April, shareholders rejected two special resolutions to reduce its reporting requirements on climate issues: a) to revoke previous resolutions from 2015 and 2019 to release climate-related data; and b) to hold electronic-only meetings while, at the same time, 18 per cent of investors voted against the re-election of its chairman, Albert Manifold.^{xliiv}

Against this backdrop the UK Financial Reporting Council felt it was time to address the prevailing ‘compliance culture’ and ‘risk aversion’ by senior executives, which has been reinforced by the behaviour of some proxy advisors being too prescriptive and ‘not accepting enough of Board explanations when they chose to go beyond the code’ (Richard Moriarty, CEO of the UK FRC).^{xlivi} As a result, the FRC published its updated guidance on ‘comply or explain’ reporting, trying to maintain a more flexible and principles’ based approach compared with more rules-based and prescriptive regimes elsewhere.^{xliivii} In this context, an interesting discussion emerged from HSBC scrapping its International Management Programme for a cadre of generalist managers trained and parachuted into jobs around the world, while opting more for recruited star players from outside, undermining the bank’s culture of long-term employees and good behaviour.^{xliiviii}

SHAREHOLDER ACTIVISM

While we had written frequently on shareholder activism in the past, there were at least three interesting developments over the last few months: a) influential and seasoned activists like Elliott took on established businesses like the London Stock Exchange or Toyota,^{xlix} raising fears that those businesses might be sold; b) activists making major inroads in Japan, achieving massive returns on their investments and taking on more difficult operational turnarounds;ⁱ and c) activist spin-offs from larger players such as Trian attacking smaller companies (Fortune Brands, Middleby, Moen, House of Roehl and Aqualisa) and pursuing company break-ups to ride the current wave of consolidation.ⁱⁱ

As was the case at Fortune Brands, activists are looking for the removal of Board members to change strategy and to push for higher shareholder returns, best evidenced at UK pub group Marston’s (attacked by US activist Fondren),^{lii} and also to streamline businesses where the activist felt the company is not the best owner, with Germany’s Delivery Hero being recently attacked by Hong Kong-based hedge fund Aspex Management.^{liii} Still, there remain a number of smaller activist funds taking on larger companies – whether Ananym Capital launching a campaign against Siemens Energy to spin off its wind business or Ancora Holdings voicing its opposition to Warner Bros Discovery’s previously agreed sale to Netflix – which gained traction by other investors.^{liiv}

THEFT OF TRADE SECRETS

There is one governance-related topic we hadn’t followed much in the past but which is gaining more prominence in the current race for superior AI technology, with various countries having adopted new national security laws to prevent the theft of trade secrets, ironically even among allies, as was the case of Taiwanese prosecutors charging the local subsidiary of Japanese chip

equipment maker Tokyo Electron.^{lv} At the same time, a former TSMC executive – who had joined Intel only a few months earlier – was charged for sharing ‘national core critical technology’ with his new employer.^{lvi} While China is normally presented as the main culprit for trade theft, it was interesting to see that this complex web of spying on others’ technology is much more entangled, with the US perception of Chinese industrial espionage now being at ‘industrial scale’ to distil frontier AI systems, and the House Foreign Affairs Committee passing several bills in late April to make it harder for China to catch up with the US in the AI race.^{lvii}

Peter and Irina Kirkow
4 May 2026

APPENDIX

GUIDANCE FRAMEWORK

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2Q'26 and FY'26 Guidance

Guidance Assumptions		2Q'26 Guidance				FY'26 Guidance			
KEY ASSUMPTIONS		BKR	Low Range	Midpoint	High Range	BKR	Low Range	Midpoint	High Range
<p>• Middle East disruptions continue through the end of June, without further escalation</p> <p>• Conflict resolved at the end of 2Q, with Strait of Hormuz fully operational during all 2H'26</p> <p>• No significant secondary impacts</p>		REVENUE (\$M)	6,250	6,500	6,750	REVENUE (\$M)	26,200	27,250	28,300
<p>OFSE</p> <p>• Middle East revenue in April similar to March levels, holding April levels through 2Q</p> <p>• Measured 2H'26 recovery in the Middle East</p> <p>• Middle East margin impacted by higher costs and lower absorption</p>		ADJUSTED EBITDA ¹ (\$M)	1,040	1,130	1,220	ADJUSTED EBITDA ¹ (\$M)	4,550	4,850	5,150
<p>IET</p> <p>• Potential minor delays to planned LNG maintenance in GTS</p> <p>• No significant delays for GTE project execution for Middle East backlog</p> <p>• Modest impacts related to logistics, inflation and supply chain</p>		<p>OFSE</p> <p>REVENUE (\$M)</p>	3,050	3,200	3,350	<p>OFSE</p> <p>REVENUE (\$M)</p>	13,200	13,750	14,300
		EBITDA (\$M)	490	540	590	EBITDA (\$M)	2,325	2,475	2,625
		<p>IET</p> <p>REVENUE (\$M)</p>	3,200	3,300	3,400	<p>IET</p> <p>ORDERS (\$M)</p>	13,500	14,500	15,500
		EBITDA (\$M)	630	670	710	REVENUE (\$M)	13,000	13,500	14,000
		<p>OTHER</p> <p>CORPORATE COSTS (\$M)</p>		Approx. 80		EBITDA (\$M)	2,550	2,700	2,850
		D&A (\$M)		Approx. 340		<p>OTHER</p> <p>CORPORATE COSTS (\$M)</p>		Approx. 325	
						D&A (\$M)		Approx. 1,350	
						FCF Conversion ¹² (%)		Approach 50%	
						Adjusted Effective Tax Rate ¹³ (%)		22% - 26%	

Full-year guidance range unchanged; company revenue & Adjusted EBITDA slightly below midpoint

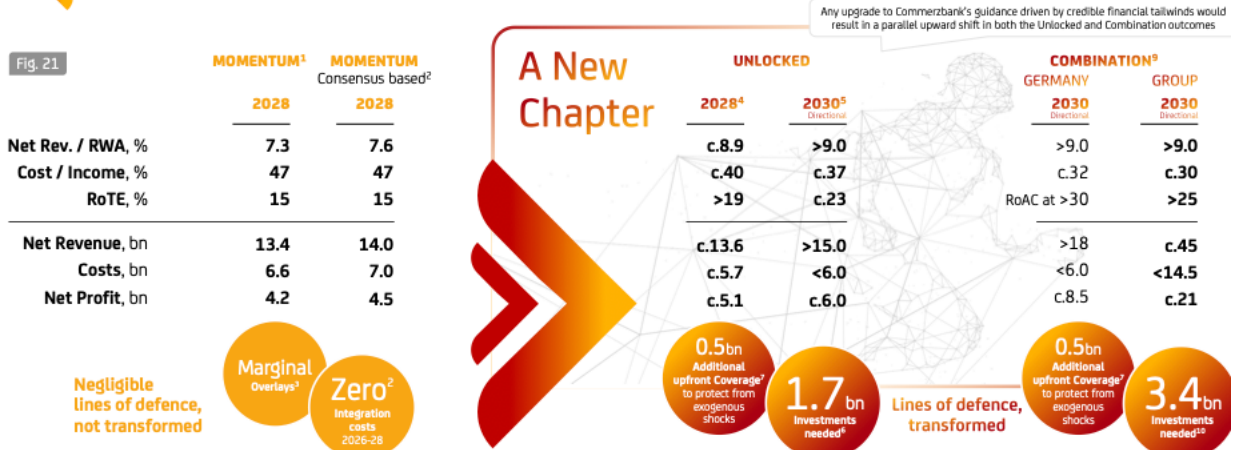
1. Adjusted EBITDA, Free Cash Flow (FCF) and Adjusted Effective Tax Rate are non-GAAP measures - see appendix for GAAP to non-GAAP reconciliations. Management cannot reliably predict or estimate, without unreasonable effort, the impact and timing on future operating results arising from items excluded from Adjusted EBITDA. We therefore do not present a guidance range or reconciliation to the nearest GAAP financial measure.

2. FCF Conversion is defined as FCF divided by Adjusted EBITDA and excludes interest expense and other cash costs associated with the closing of the pending Chart acquisition.

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"UNLOCKED" CHANGES THE STORY ... A COMBINATION RE-WRITES IT
Accelerating Commerzbank into a new future-ready era

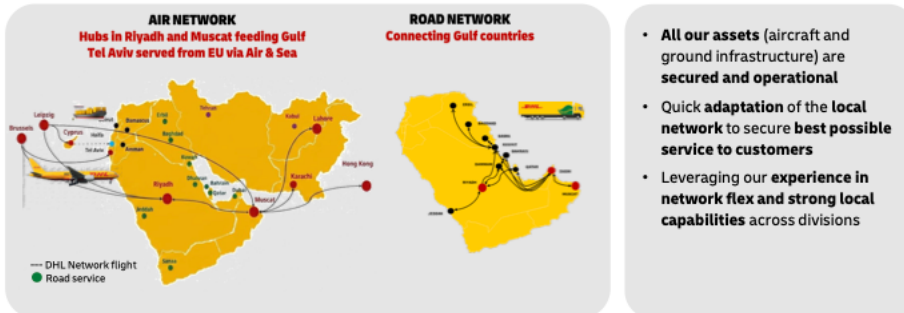


Figures represent indicative estimates derived from UniCredit outside-in analysis leveraging solely publicly available sources

1. Based on Momentum plan presentation (13/12/2025). FY28 Operating expense goal stated in Momentum (6.6bn, computed from 7.1bn goal of Costs incl. compulsory contributions - assuming stated +0.2bn increase in compulsory contribution over the FY28 / FY24 period, with FY24 compulsory contributions at 0.3bn). 2. Commerzbank Company Compiled Consensus (post 4Q2025). C/I¹¹ computed as Operating Expense / Revenue from the same source. Commerzbank assumed not to book further CHF loans provisions in 2028. 3. 150m Overlays left as of 4Q25, based on Commerzbank 4Q25 Earnings Presentation. 4. Based on 2028 Commerzbank Company Compiled Consensus, and including additional pre-tax value from Commerzbank Unlocked. 5. Based on Commerzbank Company Compiled Consensus, initially projected to 2030, and including additional pre-tax value from Commerzbank Unlocked. 6. Primarily in relation to IT, channels modernisation, voluntary pre-pensioning and extensive reskilling (before tax). 7. Assuming an alignment of Commerzbank's performing portfolio coverage with that of UniCredit Germany (before tax). 8. UniCredit Unlimited. 9. Combination based on UniCredit Unlimited ambition for UniCredit (Group and Germany) and Commerzbank Company Compiled Consensus (Group and Group incl. mBank), initially projected to 2030, and including additional pre-tax value from Commerzbank Unlocked and Combination. 10. Primarily in relation to IT, channels modernisation, voluntary pre-pensioning and extensive reskilling (before tax).

Resilient network & experienced team steering required adjustments

Proven network flexibility enables us to facilitate global trade also in challenging times



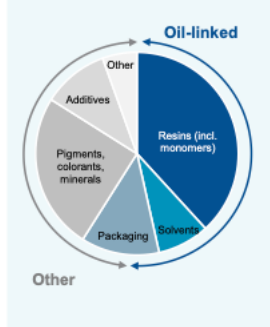
- All our assets (aircraft and ground infrastructure) are **secured and operational**
- Quick **adaptation** of the **local network** to secure **best possible service to customers**
- Leveraging our **experience in network flex and strong local capabilities** across divisions

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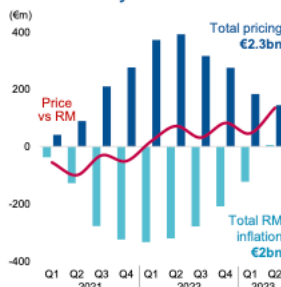
Middle East impact - raw material inflation vs. pricing

Price increases announced to fully offset ME impact; strong recent track record

Raw Material (RM) basket: 50% oil-linked



Proven track record: inflation fully offset in '21/'22



Current cycle: pricing offset underway

Current YTG assumptions: oil \$110⁽¹⁾, chemical value chain significantly disrupted = YTG RM inflation high-teens %

Difference vs. last cycle: more abrupt, faster pricing response

Actions: announced mid single-digit to low-teens price increases to fully offset inflation

Pricing implementation: ramping up in Q2, full impact in Q3

Investor update | Q1 2026 1. Brent/bbl
YTG = year-to-go (Apr-Dec 2025)

AkzoNobel

ENDNOTES

ⁱ For an overview of the market reaction in early February, see: George Hammond, *'Anthropic's breakout moment: how Claude won business and shook markets'*, Financial Times, 7 February 2026 and for an insight how Claude Code rippled through corporate offices in other established industries such as law, finance, sales, marketing and customer support, see: Anjali Raval, Daniel Thomas, Suzi Ring and Melissa Heikkilä, *'Are Anthropic's new AI work tools game-changing for professionals?'*, Financial Times, 16 February 2026.

ⁱⁱ There is naturally an extensive discussion ongoing among economists about the medium and long-term implications of the war in Iran, notably the impact of the energy crisis, inflationary shocks and supply chain disruptions if the conflict continues much longer. While these intricacies go beyond the scope of this market commentary, valuable insights were provided, among others, by: Mohamed El-Erian, *'Stagflationary forces are building'*, Financial Times, 9 March 2026, Andy Haldane, *'Trump's 'shock and war' makes this economic crisis different'*, Financial Times, 15 March 2026 and Ruchir Sharma, *'Why this oil shock is different'*, Financial Times, 6 April 2026. From the corporate perspective, the CEO of TotalEnergies, Patrick Poyanne, expects a 'significant impact of markets in 2026', notably in crude oil, refining and LNG, assuming that prices for oil will remain at high levels (at least \$80/boe) by the end of 2026. At the same time, he pointed to the fact that a \$8/boe increase would be sufficient to offset TotalEnergies' production shutdowns in the Middle East (TotalEnergies Q1'2026 analyst call on 29 April 2026). For the impact on the global food industry, see: Adam Hanieh, *'The coming global food crisis'*, Financial Times, 18 April 2026.

ⁱⁱⁱ For a very convincing argument, see: Jeff Currie and James Gutman, *'You Can't Print Molecules'*, The Carlyle Compass, 17 March 2026, <https://www.carlyle.com/carlyle-compass/you-cant-print-molecules>.

^{iv} Craig Tindale, *The AI Buildout and the Material Trap*, San Francisco, 19 April 2026. In line with the arguments brought forward by the researchers at Carlyle and the debate then further developed by Craig Tindale, see also: Gillian Tett, *'Why molecules matter in the age of the Halo trade'*, Financial Times, 27 March 2026.

^v For an extensive discussion including some possible reasons why markets are still at record highs despite a most severe energy crisis, see: Gillian Tett, *'Why markets are surging in spite of war'*, Financial Times, 2 May 2026. Another argument is the growing number of US retail investors, accounting for 36% of daily trading, with nearly 60% of US households investing in shares, see: Ruchir Sharma, *'How America's retail army came to rule the stock market'*, Financial Times, 4 May 2026.

^{vi} Ian Smith and George Steer, *'US stocks race ahead of Europe as Wall Street shrugs off energy shock'*, Financial Times, 25 April 2026. While European companies had benefitted from a rotation out of US stocks in 2025 and early 2026, the military conflict in the Middle East changed investor sentiment dramatically given Europe's sensitivity to higher energy costs, see: Katie Martin, *'European stocks are the losers in the Iran war fallout'*, Financial Times, 11 April 2026.

^{vii} With TSMC, Samsung Electronics and SK Hynix largely dominating the MSCI Emerging Market Index, this has essentially followed the AI-driven investor exuberance at Wall Street, see: Joseph Cotterill and William Sandlund, *'Emerging market stocks hit record high as Asian chipmakers surge'*, Financial Times, 29 April 2026.

^{viii} While most companies we had followed so far reported no significant exposure (AkzoNobel, Trelleborg) and/or 'no material change in customer behaviour' (Morton Wierod, CEO of ABB, at the Q1'2026 analyst call on 22 April 2026), others highlighted their long-lasting historical connection to the region – 'the Middle East is in our DNA since foundation in 1924' (Patrick Pouyanne, CEO of TotalEnergies, at the Q1'2026 analyst call on 29 April 2026) – outlining not only the need to look after their local employees, suppliers and customers but also to find new routes for diversification and hub logistics (Tobias Meyer, CEO of DHL Group, at the Q1'2026 analyst call on 30 April 2026).

^{ix} Interestingly, the oil services industry has been most articulate by when they would expect the military conflict in the Middle East to come to an end, with the greatest material impact expected for Q2'2026 (higher procurement and production costs) leading to flat revenues and significantly lower earnings (Olivier Le Peuch, CEO of SLB, at the Q1'2026 analyst call on 24 April 2026), while a 'measured ramp-up' was predicted for H2'2026 (Ahmed Moghal, CFO of Baker Hughes, at the Q1'2026 analyst call on 24 April 2026), which was used as mid-point range assumptions for their FY2026 guidance (see Appendix).

^x This has been extensively discussed during the Q1'2026 reporting season so far, with some companies conceding that they will only be able to catch up with higher pricing by Q3'2026 (Gregoire Poux-Guillaume, CEO of AkzoNobel, at the Q1'2026 analyst call on 22 April 2026), or even at the end of 2026 only (Morton Wierod, CEO of ABB, at the Q1'2026 analyst call on 22 April 2026), while others emphasised that they were immediately adjusting prices (Peter

Nilsson, CEO of Trelleborg, at the Q1'2026 analyst call on 23 April 2026) and that they have a 'mechanism' in place to pass on higher fuel costs to customers, though even that has a 'certain latency' (Tobias Meyer, CEO of DHL Group, at the Q1'2026 analyst call on 30 April 2026). Others pointed to lessons they had learned from the higher inflationary environment in 2021-22, highlighting the 'need to act fast on pricing' as 'we can't run behind price increases for too long' (Stefan Fuchs, CEO of Fuchs SE, at the Q1'2026 analyst call on 29 April 2026). Most interestingly, the CEO of AkzoNobel, Gregoire Poux-Guillaume, provided great detail on how the price adjustment formula works in reality, including 25% of sales through automatic indexation and the rest on spot prices or even surcharges (AkzoNobel Q1'2026 analyst call on 22 April 2024).

^{xi} In this respect, there was a broad agreement among corporate executives that, so far, there have not been any 'material supply chain disruptions since the conflict began' (Jesus Malave, CFO of Boeing, at the Q1'2026 analyst call on 22 April 2024) and that they have not seen any pre-buying activity as a result of the military conflict in the Middle East (Peter Nilsson, CEO of Trelleborg, at the Q1'2026 analyst call on 23 April 2026). At the same time, first signs of unease were expressed by pointing to shorter supply chains in Asia, where prices for raw materials have gone up higher and that the 'tendency to hoard in 2021-22' taught them the lesson that they eventually would need to 'work down the higher priced inventory' (Fredrik Westin, CFO of AkzoNobel, at the Q1'2026 analyst call on 22 April 2026). On the topic of hoarding, see also: Gillian Tett, *'Welcome to the age of hoarding'*, Financial Times, 17 April 2026.

^{xii} These quotes were taken from the relevant Q1'2026 analyst calls of Morgan Stanley on 15 April 2026, Citigroup on 14 April 2026 and Goldman Sachs on 13 April 2026.

^{xiii} Regular readers of our quarterly market commentary will no doubt have noticed that the issue of shareholder return has been much less prominent during the Q1'2026 reporting season, particularly share buy-backs, which are perceived as being 'highly sensitive to the current atmosphere', with an additional element of dilution (Phebe Novakovic, deputy CEO of General Dynamics, at the Q1'2026 analyst call on 29 April 2026). In turn, there is much more appetite even among European companies for more M&A, with the largest transaction so far this year announced in late April – the EUR29bn takeover of TK Elevator by Finnish elevator and escalator manufacturer Kone, see: Ivan Levingston and Richard Milne, *'Lift maker Kone strikes €29bn deal to buy TK Elevator'*, Financial Times, 29 April 2026. In European banking, UniCredit continues to pursue Commerzbank despite the political opposition by the German government, with CEO Andrea Orcel outlining in a recent analyst call his preference for the German competitor, otherwise he would accelerate the share buy-back (Commerzbank. A New Chapter, UniCredit analyst call on 20 April 2026).

^{xiv} Howard Marks, *'The challenge of pricing AI's impact'*, Financial Times, 27 February 2026.

^{xv} Henry Foy et al., *'Europe's 'tech sovereignty' ambitions carry security risks, military warns'*, Financial Times, 24 February 2026.

^{xvi} Yoshua Bengio, *'Europe's AI game? Bet on reliability'*, Financial Times, 22 April 2026. While the European tech ecosystem has reportedly grown fivefold to \$4tn over the last ten years, private investment in US tech companies is still way ahead of its European counterparts, increasing by 95% to \$177bn over the first nine months in 2025 compared with a 7% increase to \$33bn in Europe only, see: John Thornhill, *'Europe's tech sector is evolving fast. Is it fast enough?'*, Financial Times, 21 November 2025. For an analysis of a successful European AI start-up by Meta's former chief AI scientist, Yann LeCun, see: Madhumita Murgia, *'Yann LeCun's AI start-up raises more than \$1bn in Europe's largest seed round'*, Financial Times, 10 March 2026.

^{xvii} Marietje Schaake, *'Tech sovereignty should not be a subscription model'*, Financial Times, 15 January 2026.

^{xviii} For a fascinating analysis of Huawei's international expansion and the legal and political pushbacks in Europe and the US, see: Eva Dou, *House of Huawei. Inside the Secret World of China's Most Powerful Company*, Abacus Books, London, 2025. Ericsson noted at their Q1'2026 analyst call that customers focus increasingly on energy efficiency, which forces them to step up on the latest technology ladder, phasing 4G out. At the same time, the defence industry is looking for 5G standalone solutions to be able to detect drones (Börje Ekholm, CEO of Ericsson, at the Q1'2026 analyst call on 17 April 2026). In turn, Nokia noted that their customers are scaling infrastructure for AI, which implies a step change in network traffic (Justin Hotard, CEO of Nokia, at the Q1'2026 analyst call on 23 April 2026).

^{xix} Tim Bradshaw and Leila Abboud, *'Mistral's revenues soar over \$400mn as Europe seeks AI independence'*, Financial Times, 11 February 2026.

^{xx} Sebastien Ash, *'Siemens boss says Europe risks 'disaster' from prioritising AI independence'*, Financial Times, 24 March 2026.

- ^{xxi} Joe Leahy, Ryan McMorrow, Kathrin Hille and Thomas Hale, *'China warns of 'challenges' as it sets lowest GDP growth target in decades'*, [Financial Times](#), 5 March 2026.
- ^{xxii} Ruchir Sharma, *'China's growth target is a global problem'*, [Financial Times](#), 9 March 2026.
- ^{xxiii} On China's export-led growth model, see: Joe Leahy, Tom Hale and Arjun Neil Alim, *'Why China is doubling down on its export-led growth model'*, [Financial Times](#), 2 January 2026. For a very insightful analysis of two thirds of China's 31 provinces setting a lower GDP target ahead of the government's official growth target being announced in early March 2026, see: Joe Leahy and Cheng Leng, *'Chinese provinces set lower growth targets for 2026'*, [Financial Times](#), 5 February 2026.
- ^{xxiv} Joe Leahy, Thomas Hale and Haohsiang Ko, *'China investment falls for third straight month in blow to economy'*, [Financial Times](#), 15 December 2025.
- ^{xxv} Edward White, *'China factory activity returns to growth after record contraction'*, [Financial Times](#), 31 December 2025.
- ^{xxvi} Chris Kubasik, CEO of L3 Harris Technologies, at the Q1'2026 analyst call on 30 April 2026.
- ^{xxvii} Jim Taiclet, CEO of Lockheed Martin, at the Q1'2026 analyst call on 23 April 2026. During the call, Jim Taiclet confirmed the 'urgency of the current operating environment' and elaborated on the US government providing a) financial instruments to smaller suppliers as part of the 7 years' contract with Lockheed Martin; b) including clawback agreements if production needs to be reduced; and c) an inflation-based escalator, which makes long-term investments 'cashflow neutral supported by advance payments'.
- ^{xxviii} The CFO of RTX, Neill G. Mitchill, outlined the DoW providing 'strategic capital to critical suppliers, which helps to strengthen their balance sheet' (RTX Q1'2026 analyst call on 21 April 2026). In turn, the CEO of Northrop Grumman, Kathy Warden, focused on the current debate about the FY2027 US defence budget, which at \$1.5trn would amount to 5% of GDP, coming close to the Cold War era (Northrop Grumman Q1'2026 analyst call on 21 April 2026).
- ^{xxix} Sylvia Pfeifer and Christian Davies, *'Trump's assault on US defence industry puts investors on edge'*, [Financial Times](#), 11 January 2026.
- ^{xxx} For Germany's Rheinmetall, which is trying to win a huge chunk of Germany's and European defence budgets by expanding into a multi-domain group to compete with US contractors, see: Laura Pitel, *'From arms to orbit: Rheinmetall's expansion unsettles rivals'*, [Financial Times](#), 4 February 2026. For its move into drone production, see: Laura Pitel, *'Rheinmetall wins €300mn drone order from German armed forces'*, [Financial Times](#), 16 April 2026.
- ^{xxxi} Dassault Aviation FY2025 press conference on 4 March 2026. See also, Leila Abboud and Sarah White, *'Dassault Aviation: the defence group blocking the €100bn Franco-German jet project'*, [Financial Times](#), 11 February 2026. Others outlined more constructive partnerships across Europe, including in Space between Thales, Airbus and Leonardo (Patrice Cain, CEO of Thales, at the FY2025 analyst call on 3 March 2026), the Eurofighter doubling production rates (Charles Woodburn, CEO of BAE Systems, at the FY2025 analyst call on 18 February 2026) or the Global Eye project, controlled by France but with interest from Germany, Poland and other NATO countries (Micael Johansson, CEO of SAAB, at the Q1'2026 analyst call on 23 April 2026).
- ^{xxxii} Laura Pitel and Sylvia Pfeifer, *'Germany vows more defence tech funding after backlash over tanks'*, [Financial Times](#), 16 February 2026.
- ^{xxxiii} Liana Fox, *'Next Hegemon. The Perils of German Power'*, [Foreign Affairs](#), Council on Foreign Relations, New York, March/April 2026. The author of this article, a German historian by training, was reportedly invited for lunch by the German Chancellor, Friedrich Merz, when he travelled to Washington in March 2026, see: Anne-Sylvaine Chassany and Leila Abboud, *'Germany re-arms: what does it mean for Europe?'*, [Financial Times](#), 29 April 2026.
- ^{xxxiv} The CEO of Germany's military sensor specialist Hensoldt, Oliver Dörre, confirmed at the FY2025 analyst call on 26 February 2026 that 'Zeitenwende 2.0 has moved from political announcements to procurement orders' but pointed to the fact that there is still 'persistent instability' and 'capability gaps', calling for the need of a 'historic step change in procurement scale'. Interestingly, he also advocated more 'European autonomy in sensor and software-defined defence', which is most likely a reflection not only on fierce competition from US companies in this area but also the growing transatlantic security rupture. In this context, the CEO of Northrop Grumman, Kathy Warden, confirmed that there is more 'European sensitivity to buy local' and also setting clear timelines for US companies (Northrop Grumman Q1'2026 analyst call on 21 April 2026). The latter has now been aggravated by the Pentagon announcing delays in the delivery of US weapons to European countries as it scrambles to replenish stockpiles depleted by the Iran war, see: Demetri Sevastopulo, Henry Foy, Steff Chavez and Christopher Miller, *'US warns Europe of delays to arms shipments as Iran war drains stockpiles'*, [Financial Times](#), 2 May 2026.
- ^{xxxv} Elina Ribakova, *'Ukraine, Europe and the new economics of war'*, [Financial Times](#), 6 December 2025. For an

interesting discussion on lessons to what extent Ukraine could use the newly found approach for technological innovation and tactical agility once the war has come to an end, see: Tymofiy Mylovanov, *'Ukraine's military holds lessons for its postwar future'*, Financial Times, 7 January 2026. For a personal view of the former CEO of Google, Eric Schmidt, who is also an investor in drone technology, see: Eric Schmidt, *'Ukraine's no man's land is the future of war'*, Financial Times, 13 February 2026. In this context, a fascinating study on the adaptability and resilience of the Ukrainian workforce during wartime was published by: Giacomo M. Anastasia, Tito Boeri and Oleksandr Zholud, *'A wartime labor market: the case of Ukraine'*, Rockwool Foundation Berlin, Discussion Paper 010/26, January 2026.

^{xxxvi} Soumaya Keynes, *'Where is AI showing up in the productivity data?'*, Financial Times, 5 February 2026.

^{xxxvii} Erik Brynjolfsson, Bharat Chandar and Ruyu Chen, *'Canaries in the Coal Mine? Six Facts about the Recent Employment Effects of Artificial Intelligence'*, Stanford University, 25 October 2025

^{xxxviii} Erik Brynjolfsson, *'The AI productivity take-off is finally visible'*, Financial Times, 15 February 2026. According to the authors of a study at Stanford University, this relates to junior roles declining by about 16% in 2025, while those who used AI to augment skills saw growing employment. They conclude that 'companies are beginning to use AI for some codified, entry-level tasks'. For a comprehensive explanation of the methodology and earlier findings by this team of researchers, see: Erik Brynjolfsson, Daniel Rock and Chad Syverson, *'The productivity J-Curve: how intangibles complement general purpose technologies'*, NBER Working Paper Series, Cambridge, MA, revised January 2020.

^{xxxix} John Burn-Murdoch, *'What the AI 'jobpocalypse' narrativ misses'*, Financial Times, 25 April 2026.

^{xl} Mohamed El-Erian, *'This time really could be different on jobs'*, Financial Times, 16 February 2026.

^{xli} Ian Johnston and Sebastien Ash, *'Job losses in European car parts sector top 100,000 in two years'*, Financial Times, 13 January 2026.

^{xlii} For an example of Volkswagen being in talks with Israel's Rafal Advanced Defence Systems over a deal that would switch production at one of its German factories from cars to missiles, see: Laura Pitel, Anna-Sylvaine Chassany and Sebastien Ash, *'VW in talks with Israel's Iron Dome maker to shift from cars to missile defence'*, Financial Times, 25 March 2026.

^{xliiii} Gillian Tett, *'Trump and the normalisation of deviance'*, Financial Times, 6 February 2026.

^{xliv} Attracta Mooney, *'Green investors threaten BP with legal action over rejected resolution'*, Financial Times, 11 March 2026.

^{xlv} Malcolm Moore and Attracta Mooney, *'BP suffers heavy defeat in investor climate vote'*, Financial Times, 24 April 2026. With a new management team at bp in place, there were clear signs of strategy changes, with the new CEO at bp, Meg O'Neill, pointing to the need for a 'stronger balance sheet' so that the company can not only make investments for production growth but that this is also 'critical for shareholder return' (bp Q1'2026 analyst call on 28 April 2026).

^{xlvi} Richard Moriarty, *'Boards must feel they can think for themselves'*, Financial Times, 16 March 2026.

^{xlvii} UK Financial Reporting Council, *Improving the Quality of 'Comply or Explain' Reporting*, London, March 2026.

^{xlviii} Philip Augar, *'The curious signal sent by HSBC'*, Financial Times, 27 December 2025. As other European banks are still faced with lawsuits dating back more than a decade, it is perhaps a reminder of large global employers having to find a balance between its own corporate culture and specialist experts hired to run new products and divisions, see: Florian Müller, *'Deutsche Bank seeks 40% pay bump for highest-paid chair in DAX'*, Financial Times, 8 December 2025.

^{xlix} For Elliott launching its activist campaign against the LSE, see: Oliver Barnes and Philip Stafford, *'Elliott Management builds stake in London Stock Exchange'*, Financial Times, 11 February 2026 and at Toyota in Japan, see: David Keohane and Harry Dempsey, *'The activist vs the carmaker: how Elliott forced Toyota into \$35bn showdown'*, Financial Times, 27 February 2026.

^l David Keohane, *'Japan's activists grapple with a new problem – success'*, Financial Times, 14 January 2026. For the extensive presentation of Palliser Capital on Japan Post Holdings, providing a fascinating insight how shareholder activists operate and what potential upside they are looking for, see: <https://www.pallisercap.com/recent-presentations/> and <https://www.businesswire.com/news/home/20251119404872/en/Palliser-Capital-Presents-Value-Proposition-for-Japan-Post-Holdings>.

^{li} Oliver Barnes, *'Yale padlock maker to scrap CEO appointment in deal with activist investor'*, Financial Times, 16 March 2026.

^{lii} Stephanie Stacey, *'Marston's US activist calls time on pub group's board'*, Financial Times, 15 January 2026.

^{liii} Florian Müller and Kieran Smith, *'Top Delivery Hero investor threatens to seek leadership change'*, Financial Times,

13 March 2026.

^{liv} For the activist campaign against Siemens Energy, see: Amelia Pollard and Sebastien Ash, *'Activist behind Engine No. 1 Exxon campaign builds stake in Siemens Energy'*, Financial Times, 9 December 2025 and for Ancora building a stake in Warner Bros Discovery, see: Christopher Grimes, Oliver Barnes and James Fontanella-Khan, *'Activist investor takes aim at Warner Bros deal with Netflix'*, Financial Times, 11 February 2026.

^{lv} Kathrin Hille, *'Taiwan probes leaks of vital chip technology'*, Financial Times, 11 December 2025.

^{lvi} For a more extensive coverage of trade thefts by a former Tokyo Electron executive, who had ties to Chinese semiconductor start-ups, see: Harry Dempsey and Eleanor Olcott, *'Chip toolmaker Tokyo Electron cuts ties with executive linked to Chinese rivals'*, Financial Times, 27 April 2026.

^{lvii} Demetri Sevastopulo and Cristina Criddle, *'White House accuses China of 'industrial-scale' theft of AI technology'*, Financial Times, 23 April 2026. For co-founder and two other employees of Supermicro smuggling \$2.5bn of Nvidia's AI chip servers to Chinese customers, see: Michael Acton, *'Supermicro co-founder charged in conspiracy to export Nvidia chips to China'*, Financial Times, 20 March 2026.