

Tactical tilts for the second half of 2026

Markets spent the 2nd quarter navigating the calm within the storm. Hope for a near-term peace agreement with Iran, combined with a strong earnings season that reflected continued momentum behind the AI trade, boosted sentiment while simultaneously increasing market concentration. While it's still too early to assess the durability of the newly announced U.S. – Iran Memorandum of Understanding, mediated by Pakistan, the agreement represents a constructive step forward and helps reduce a key risk for markets and consumers. This framework for a deal has the potential to broaden participation into the second half. Our positioning for the second half prioritizes essential beta complemented by thoughtful tactical exposures.

► MAINTAIN U.S. FOCUS

Maintain our overweight tilt to U.S. equities, prioritizing this region due to economic resilience.

While the global exposures stand to benefit the most from the reopening of the Strait, we maintain a neutral exposure at this stage given the lack of definitive evidence of an end to the conflict.

► AI AND ENERGY INFRASTRUCTURE

AI infrastructure is the single most important theme. It has strong structural tailwinds and solid momentum behind it.

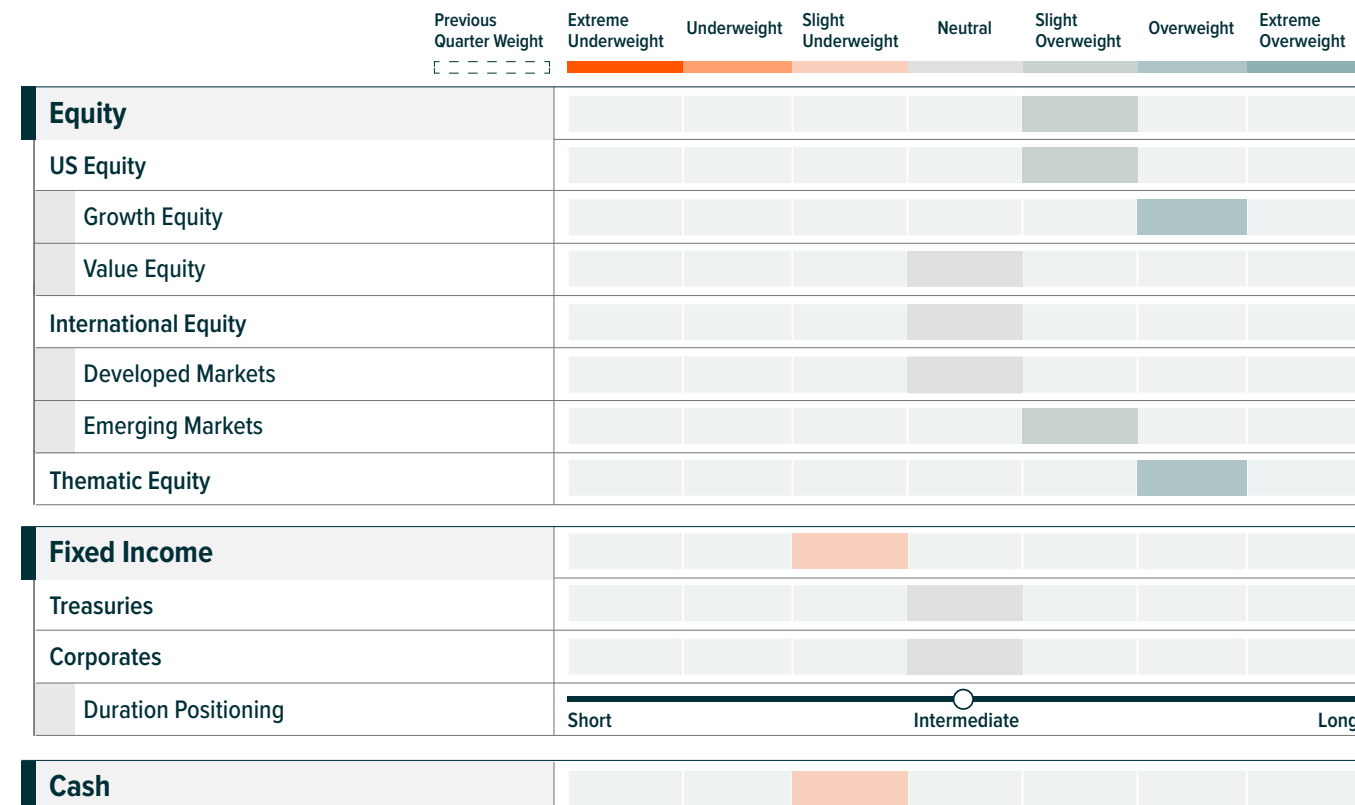
Added targeted exposure to U.S. Energy Infrastructure to increase real-asset exposure and to position for the increased importance of this infrastructure going forward.

► INTERMEDIATE DURATION FOCUS

We remain cognizant of tight spreads within credit markets and emphasize a risk managed approach.

We maintain our preference for intermediate duration positioning, as it offers participation in the ongoing interest-rate cutting cycle with less volatility than the long-end. At the same time, we remain short headline duration given the potential for upside risk to rates.

TACTICAL TILTS 2026



Note: Reflects views expressed in the Global X Core Series Portfolios.



Infrastructure for the Second Half

The ongoing disruption of the Strait of Hormuz and the uncertainty surrounding the timing of potential reopening increases the importance of three key trades; prioritizing U.S. exposure, adding U.S. energy infrastructure exposure, and prioritizing the beneficiaries of AI infrastructure investment. While there's desire for a peace agreement and the reopening of the Strait, this process may still take several months. Consequently, we believe this increases the importance of real-assets, energy, and infrastructure adjacent exposures.

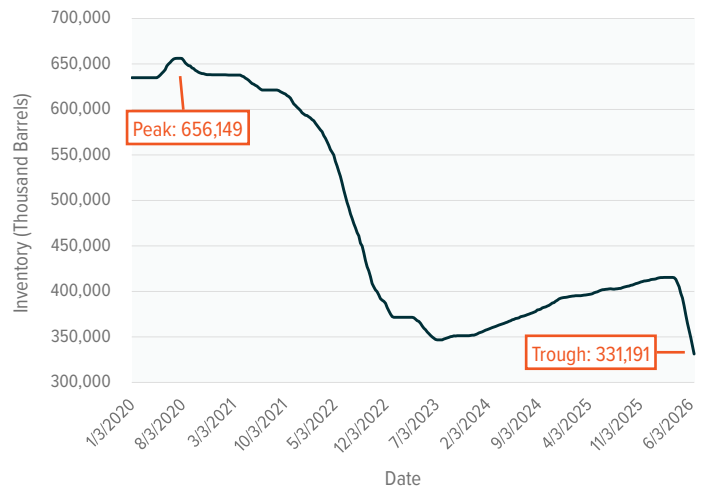
KEY TAKEAWAYS

- Prioritize U.S. and AI infrastructure related exposure.
- U.S. Energy infrastructure is growing in importance and has the potential to provide the additional benefit of serving as an inflation and geopolitical risk hedge.
- Portfolio diversification remains important, balancing targeted thematic exposures with select contrarian exposures as we navigate risk on rallies and bouts of volatility.

U.S Energy Infrastructure – An Inflation and Portfolio Hedge

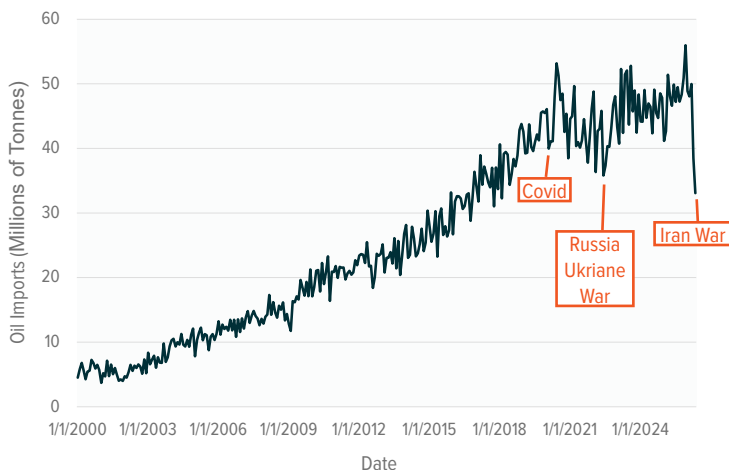
We believe the economic impact of the closure of the Strait of Hormuz has yet to be materially felt throughout the world. Expectations for a short disruption have suppressed extreme market impacts thus far. Concurrently, the release of U.S. strategic energy reserves over the last 2 months combined with a 40% reduction in Chinese energy imports relative to 2025 levels¹ has helped boost supply while reducing demand, partially offsetting the ongoing supply-demand imbalance. Charts 1.1 & 1.2 illustrates how the market has managed to keep this impact muted despite the magnitude of the supply shortfall. The biggest question now is how long this can remain a cushion. Notably, the U.S. Strategic Petroleum Reserve had yet to return to its peak of the current decade, putting additional strain on the country's capacity to cushion an ongoing energy crisis.

CHART 1.2: U.S. DOE STRATEGIC PETROLEUM RESERVE - TOTAL INVENTORY (JAN 2020 - JUN 2026)



Source: Bloomberg data as of May 31, 2026.

CHART 1.1: CHINA OIL IMPORTS IN MAY DROP TO THE LOWEST LEVEL SINCE OCTOBER 2017

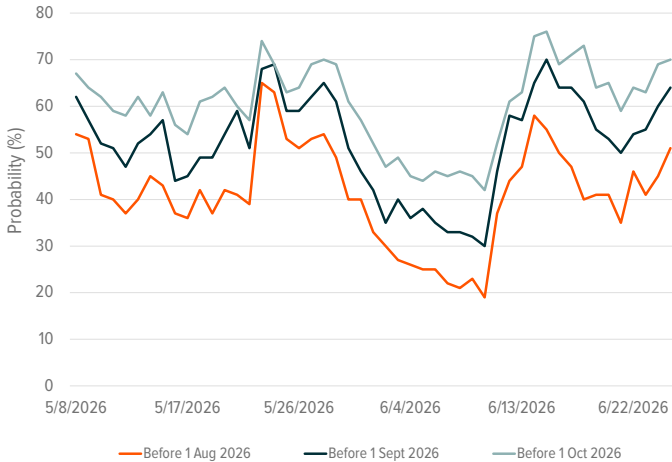


Source: Bloomberg data as of May 31, 2026.

The mid-June Memorandum of Understanding and the new 60-day ceasefire agreement supports the expectation for a quick resolution. However, it remains unclear how long it will take to restore energy flows through the Strait of Hormuz and normalize global energy markets. While there's been a dramatic repricing of probabilities in prediction markets, it's potentially still a multi-month process to restore traffic back to more than 60% of the pre-war levels, with BofA expecting the market to remain in a deficit until at least Q4 2026, and restocking expected to support crude prices into 2027.^{2,3} There is potential that the U.S. strategic reserves will decline further over the next few weeks as trade normalizes. Given that reserves are currently at their lowest level since 1983⁴, this avenue of support is unlikely to persist beyond the summer.



CHART 1.3: KALSHI EXPECTATIONS OF WHEN 7-DAY MOVING AVERAGE TRANSIT CALLS THROUGH THE STRAIT OF HORMUZ RETURN TO MORE THAN 60% OF PRE-WAR LEVELS



Source: Bloomberg data as of June 25, 2026.

We used the recent pullback in energy prices to add U.S. energy infrastructure exposure. This is an area that is trading around its pre-war level while providing exposure to assets that are anticipated to be in higher demand following the war.⁵ This exposure can potentially provide a dual hedge in the current environment: firstly, the real asset exposure is likely to be supportive should inflation remain elevated, and secondly, a portfolio buffer against headline geopolitical shocks related to the ongoing peace negotiation. Conversely, a successful peace negotiation remains a positive catalyst for stability and economic growth, which should underpin the demand for energy and related infrastructure.

Complacency is a real risk as markets have gone through years of tumultuous headlines followed by rapid relief rallies. The difference here is that the U.S. may not hold all the cards on the timing of the reopening of the Strait and the subsequent normalization of energy markets. As such, we could reach a point where the actual economic impact via inflation and/or diminished growth starts to outweigh the market euphoria created by the potential for a lasting deal. The current agreement extends the ceasefire for 60 days, but it remains fragile and we likely need to see energy flows and inventory levels restored to rebuild confidence and conviction in return to normalcy.

Themes For the Current Environment

The dynamic within the thematic landscape shifted with the start of the war. While some of this shift is likely to continue, other elements could reverse as the dust settles. One thing that remains clear, however, is that the unprecedented capex being spent on building out the AI ecosystem continues to drive earnings and optimism around growth. While it remains important to monitor for signs of unwarranted market enthusiasm, exposure to this vast infrastructure buildout, especially the beneficiaries of the record spending, remains a key consideration for investors that want to participate in continued upside.

- AI Infrastructure remains an important beneficiary of significant AI spending, with Data Centers and Digital Infrastructure positioned to benefit as compute capacity attempts to catch up to increasing demand.
- We're moving beyond the chatbot phase of AI, enhancing the technology's productive value. AI is starting to have more applications, and each model release has been able to tackle longer and more complex tasks, with the current models expanding into tasks that can take the typical human 16 hours to complete.⁶ Additionally, physical AI is becoming more prevalent, with AI model advancements powering both robotics and autonomous vehicles. This touches on areas where the economy is most likely to reflect the productivity enhancements from AI.
- In a world where excellence and intelligence is a commodity, access to critical resources becomes more important. This applies to both energy and critical minerals.

Diversification is Essential

A balanced portfolio—anchored in quality U.S. exposure, complemented by targeted thematic exposure, global diversification, and select contrarian and low volatility exposures—positions investors to participate in upside potential while prudently managing risk. These views and ideas are reflected across our Core Series ETF Model Portfolios.



Support for the **Global X ETF Model Portfolios**

For advisors who are interested in exploring our model solutions, we offer a wide range of support to help you explain the portfolios to your clients. Beyond factsheets and market insights, we also provide reports explaining the rationale behind our allocation changes, and monthly performance reports that draw attention to the key factors driving performance. Additionally, we put out research and analysis on key areas related to our model portfolios, including portfolio perspectives on equity income investing or establishing a framework for the long-term inclusion of thematic equity.

The Model Portfolio Solutions Team is available to discuss the portfolios, provide insights on our view on the market and how this shapes our portfolio positioning. We understand that outsourcing to a third-party model manager is a big decision. We're available to explain our processes and the support behind our model portfolios.

Please reach out to your Global X representative or contact ModelPortfolioSolutions@globalxetfs.com for more information on how our model portfolios may be a solution for you.

1. Bloomberg, Ten Reasons Oil is Still Below \$100 a Barrel, 6/11/2026
2. Bloomberg data as of 6/15/2026
3. BofA, Global Energy Weekly: Oil Gets the Memo, 6/17/2026
4. CNBC, The Iran deal came just in time as Strategic Petroleum Reserve hits lowest level since 1983, 6/15/2026
5. Bloomberg data as of 6/24/2026
6. METR data as of 6/22/2026

Information provided by Global X Management Company LLC.

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