

This time 2026 has really started

- The world is full of uncertainty, but financial markets are off to a good start for the year
- Gold and emerging markets outperform, in a continuation of 2025
- We start the year fully invested, but are prepared to adjust in what should be a very volatile year



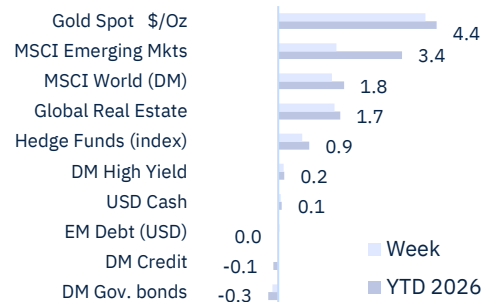
The year starts with disruptive events, but also with positive returns from most asset classes. Gold is already up 4% in 2026 and equities are in the green, with emerging markets outperforming. This looks very much like a continuation of 2025. So, is the new year simply more of the same?

No doubt, some things haven't changed. Starting with the economic backdrop, last week's global PMIs confirmed a gentle deceleration but reassuring absolute levels. Indeed, between AI investments and some support from US consumption (improving sentiment indicators and upcoming tax refunds), the near-term doesn't look adverse. What also hasn't changed is the softness of the US labour market: only 50,000 jobs were created in December, and an unemployment rate of 4.4% supports more rate cuts ahead.

Now, another common feature with last year is a concern: unpredictable and potentially radical geopolitical and political events. For the former, the Venezuela did not move financial markets, which is reasonable only if it is not the beginning of a series of US military interventions abroad, from Latin America to Iran or even Greenland. Domestically, uncertainty also rises. Last night, Fed chair Powell posted a video in which he said that the US Department of Justice has sent subpoenas to the central bank, which suggests a criminal investigation related to the conditions and disclosure of the refurbishment of a building. Chair Powell considers its "pretexts" and an attempt to influence policy. This could lower visibility on the Fed's leadership change which should happen later this year.

We started the year fully invested, with an overweight in both gold and emerging markets across asset classes, which works fine so far. This doesn't mean that we are outright bullish: 2026 is no time for complacency, we highlight vigilance and visibility, which we will develop in our Global Investment Outlook to be released in the coming days.

Asset Classes USD % total. Return, December and 2025



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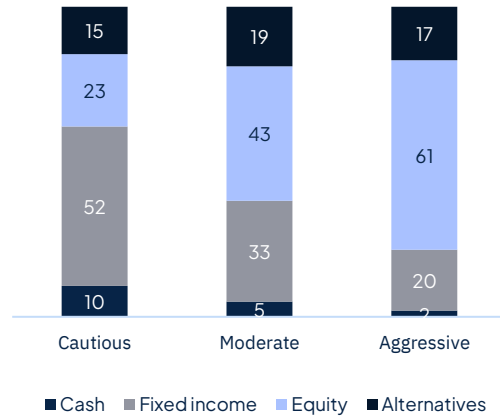
Cross-asset Update

There is no two ways that the year is starting decisively in favour of overseas equities as well as of the old economy. Some trends are carrying over from 2025. Emerging market stocks (+3.4%) are outperforming their DM peers (+1.8%), while DM ex-US equities (+2%) are gaining slightly more than the S&P 500 (+1.7%). Usually, this comes along with a comeback of the value investment style, that indeed currently holds for the S&P 500 Value (+2.5%) versus the S&P 500 Growth (+1.1%). Also, commodities (+2.2%) are leading global equities (+1.8%) as of Friday, indeed unusual and confirms the pro-cyclical bias across risk assets. Sector-wise in the S&P 500 materials (+6.4%) top YTD returns, that is also quite infrequent. The common denominator is the global capex cycle: the building out of data centres in the US, rearmament and infrastructure expenditure in Germany, investments in key industrial sectors in Japan. It is unusual for the global economy to be led by a synchronized investment cycle, and the last time this happened it was from 2003 to 2007. At the time China entered the WHO, asserted itself as the global industrial hub and became crucial for worldwide commodity demand. Today similar dynamics are unfolding. The comeback of commodities is accounted for by more than a decade of under-investments that are constraining supply, in turn unable to match the present constraints related to the capex cycle. This is all to say that we are witnessing a seismic shift: from an age of efficiency, dominated by technology, to one of scarcity, dominated by resources. Unfortunately, while creativity can put to good use in one's own backyard without encroaching on the neighbour's turf, that is not the case when nations are after scarce resources. That brings about outright conflicts and also explains how China nowadays has managed to leverage its rare earth advantage against the United States. President Trump in turn levelled the playing field by taking control of about 30% of global oil reserves that include shale oil, Venezuela, and the neighbouring Guyana, forcing China to give up on cheap Venezuelan crude.

The global capex cycle has just started and will continue for the next several years, defining the age of scarcity. This dramatic change requires different allocation choices by investors. Alternative assets will play a dominant role: gold, commodities more in general, alongside real estate and hedge funds that should help hedge inflation risks and rising market volatility. Equity investment styles and preferred sectors would be different as well, and we already have had a foretaste of it: values over growth, ex-US over US equities, materials over technology. Energy has not yet participated in the fledgling commodity bull market, though we hold the view it will, sooner rather than later. Shale oil supply is peaking, and crude demand may well be underestimated currently.

Investors must brace themselves for a brave new world last seen before the Great Financial Crisis.

Tactical Asset Allocation: Simplified Positioning



TAA – Relative Positioning – Moderate Profile

UW/N/OW: Underweight/Neutral/Overweight

	UW	N	OW
Cash		=	
DM Gov.		=	
DM Credit	<		
DM H. Yield		=	
EM Debt			>>
DM Equity	<		
EM Equity			>>
Gold			>
Hedge Funds	<<		
Real Estate		=	

Fixed Income Update

The first full trading week of the new year showed more of the same. Bond markets brushed off geopolitical risks. The 10-year treasury yields reached a nadir of 4.12% on Wednesday before bouncing back to 4.18% later during the week. December's NFP payrolls rose by 50,000, with November revised down to 56,000. Job gains remain concentrated in healthcare, while private payrolls outside the sector have declined in seven of the last eight months. Average hourly earnings increased by 0.3%, and the unemployment rate fell to 4.4%. Markets anticipate the Fed will hold rates at the 28 January FOMC meeting, with no cut expected before June. Federal Reserve Chair Jerome Powell confirmed that the US central bank has received grand jury subpoenas from the Justice Department, which could lead to a criminal indictment. This development marks a significant escalation in tensions between the Fed and the administration.

We held our TAAC meeting last week. Even though a shallow easing cycle typically leads to higher yields, the discussion on the Fed chair succession would keep pressuring yields. Historically, with credit spreads below 75bps Investment Grade has delivered minimal excess returns. We start the year with an underweight stance in IG debt. Hyperscalers may issue around \$1.5tn of debt over the next five years, which could put upward pressure on already-tight spreads. HY defaults stay below long-term trends with S&P expectations of 3.7% till Sep 2026. In the USD HY/LL market, the current distress ratio is 5.5%, with historical data indicating that about one-third of distressed issuers default within a year. We start the year with neutral stance in HY debt due to the high carry offered. We will monitor the credit stress in the small business segments very closely next year.

EM debt remains the standout opportunity, supported by stable inflation, healthier fiscal positions, and reduced tariff uncertainty. We start the year with overweight stance on EM Debt. We also like the local currency opportunities offered by high yielding countries such as Turkey and Egypt. In the GCC, supply should moderate after a record year, with spreads expected to trade in the 100-125 bps range. Overall, risks include higher sovereign debt stress, rising SME credit pressures, and any deterioration in the AI bandwagon.

The first week of GCC primary market issuance remain strong, with total issuance exceeding \$21.6bn. KSA accounted for approximately \$16bn of issuance, followed by the UAE (\$4.2bn), Kuwait (\$1bn), and Bahrain (\$0.5bn). The Saudi government was the largest contributor, raising \$11.5bn across 4 tranches, supported by strong investor demand. In addition, several Saudi banks accessed the market through perpetual and Tier-2 issuances, including Al Rajhi Bank (6.15%), Bank Al Bilad (6.375%), and Riyadh Bank (5.80%). Saudi Telecom issued 5-year, and 10-year tranches priced at 4.49% and 5.08%, respectively. In the UAE, corporates like Emirates NBD, FAB, and Dubai Aerospace Enterprise issued bonds. While real estate player Aldar's 30.25NC7.25-year bond priced at 5.875%. New issuer Dhafrah PV2 Energy entered the market with a sinkable 27-year (WAL of around 17Year) bond priced at 5.79%.

Fixed Income Key Convictions

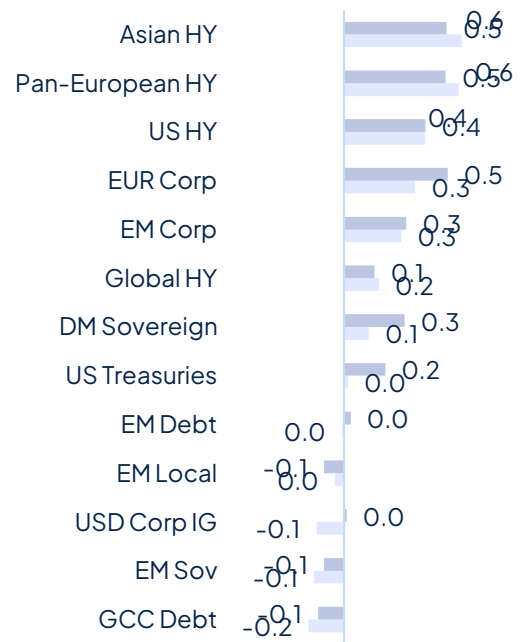
DEVELOPED MARKETS

- Overall overweight DM FI
- OW Government Bonds
- Neutral corporate (IG & HY)

EMERGING MARKETS

- Neutral EM Debt
- Favor quality and selectivity
- Including in GCC

Fixed Income Sub Asset Class Returns (US\$ TR, YTD, December)



Equity Update

Global equities staged a convincing rally during the first full trading week of 2026, driven by a convergence of M&A headlines, AI infrastructure milestones, and geopolitical shifts opening new energy frontiers. The Dow Jones Industrial Average surged 2.3% to close at a fresh record, while the S&P 500 (+1.6%) and Nasdaq Composite (+1.9%) erased early-week losses to finish near all-time highs.

Across the Atlantic, the FTSE 100 achieved a historic psychological milestone, back above 10,000 points (specifically 10,124) for the second time. The UK index's breakout was led by heavy weightings in mining and energy, both of which were primary beneficiaries of the week's thematic rotations.

The most significant equity development of the week was Meta Platforms' aggressive entry into nuclear energy. On Friday, Meta announced landmark agreements to secure 6.6 gigawatts of carbon-free capacity by 2035 to power its "Prometheus" AI supercluster in Ohio. The primary beneficiary, Vistra shares rallied sharply after securing a 20-year Power Purchase Agreement for over 2,600 MW from its nuclear assets in Ohio and Pennsylvania. Oklo, the small modular reactor developer saw its stock spike as part of the deal, which involves deploying advanced fission technology on a new campus in Pike County, Ohio. Power producers are increasingly being re-rated, with nuclear assets (like Vistra and Constellation) as critical infrastructure partners for Big Tech.

The materials sector outperformed significantly, catalyzed by the resumption of merger talks between Rio Tinto (RIO) and Glencore (GLEN). Reports confirmed that Rio Tinto is considering an all-share takeover of Glencore, potentially creating a \$200bn+ mining behemoth. Glencore shares surged 8.8% in London and New York on the news. The merger is predicated on consolidating copper supply, which is a critical metal for the global electrification transition.

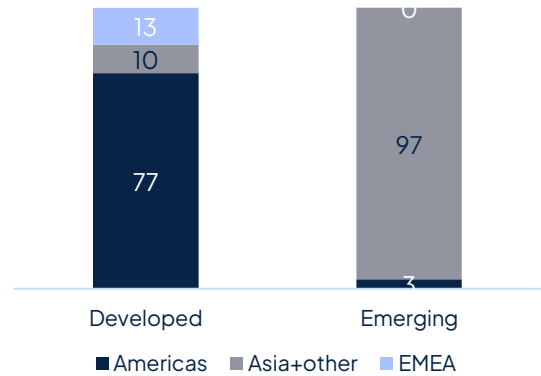
Beyond the M&A headlines, the broader sector lifted on rising commodity prices. Fresnillo, the world's largest primary silver producer, climbed 3.8% in London, tracking gains in silver futures and reinforcing the sector's dual appeal: defensive safety via precious metals and cyclical growth via industrial copper exposure.

Energy equities led the Dow's record-breaking performance, reacting to the sudden geopolitical shifts in Venezuela. The ousting of the Maduro regime has led markets to price in a rapid reopening of the country's vast oil reserves to Western supermajors. Chevron (CVX), ExxonMobil (XOM), and ConocoPhillips (COP) all posted strong gains. Chevron, which already has the most advanced footprint in the region, is being viewed by analysts as the immediate winner, with the potential to significantly ramp up production volumes in the near term.

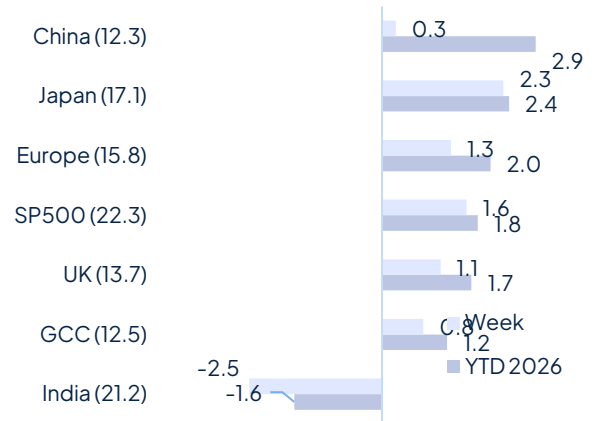
This development provided a fresh catalyst for the integrated oil majors, which had lagged technology stocks in late 2025.

As we pivot to next week, the narrative will shift to Q4 earnings. The earnings season begins effectively tomorrow, with JPMorgan Chase (JPM), Citigroup (C), and other banking heavy-weights reporting. Moreover, we keep an eye on how President Trump's commentary on credit cards could weigh on managements' outlook for this year.

Equity Recommended Regional Positioning

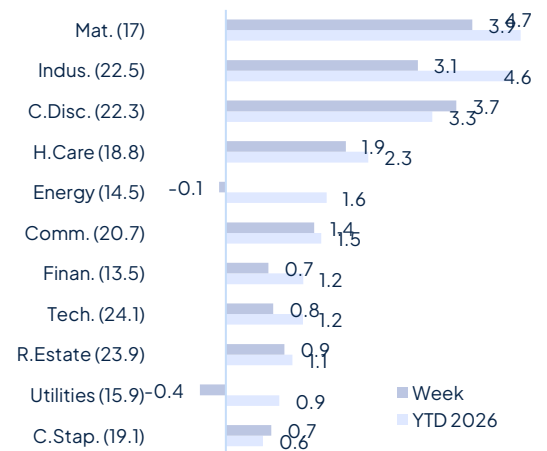


Major Indices Performance (TR, US\$), P/E in brackets



Source: Bloomberg consensus. MSCI Indices unless specified.

Global Sector Performance (TR, US\$), P/E in brackets



Source: Bloomberg consensus. MSCI All Country World sectors US\$.

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