

Resilient markets in a troubled world

- Policies, politics and geopolitics fuel volatility but the fundamental backdrop remains supportive
- 2026 so far is positive, with similarities to 2025 in terms of asset class returns
- We remain fully invested though prepared to adjust in what should be a very volatile year



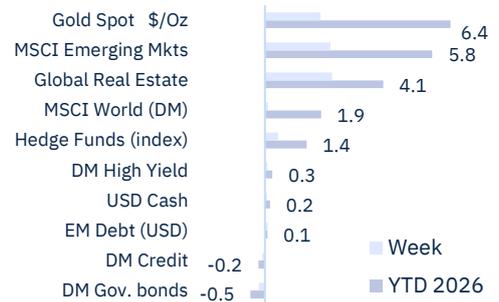
2026 so far looks very much like a “mini-2025”: gold and stocks from emerging markets are already up 5%, distancing the rest. Washington DC continues to surprise the world with bold moves, from a criminal investigation on the Fed two weeks ago to a project to cap credit card interest rates and heightened rhetoric on Greenland last week. These are not small events, with potentially far-reaching consequences on the outlook. Visibility will not be the defining characteristic of 2026, and it matters for consumers, corporates, and markets.

Still, the fundamental backdrop remains supportive for now. Economic activity is resilient and there are reasons to believe, between tax refunds and continued AI investments, that it will continue in the near-term. Inflation doesn’t fall anymore but at least it doesn’t rise, leaving room for central banks to cut rates. The corporate earnings that just started should not be disappointing, even if it started on a mixed tone for US megabanks, countered by solid numbers from the AI complex.

Our 2026 Global Investment Outlook, titled “Eyes Wide Open”, is ready and will soon be released, followed by our now traditional annual roadshow. In summary, we see 2026 as a continuation of 2025: an overall benign economic backdrop, and two powerful transforming forces: technology and a global rebalancing of powers. 2025 was about markets acknowledging the turn, 2026 is about how it actually plays out. Yet, returns will not be as positive as last year: while we see “more of the same”, upside potential is lower and visibility is worse. We do not know whether the softness of the US labor market will reverse, and pose questions on inflation, or persist and lead to slowdown risks. Politics and geopolitics continue to be fluid and it won’t improve as we approach November and the US midterm elections. This is not a time for complacency.

The week ahead will provide more macro and corporate data, as well as probably more bold statements from leaders gathering in Davos.

Asset Classes USD % total. Return, December and 2025



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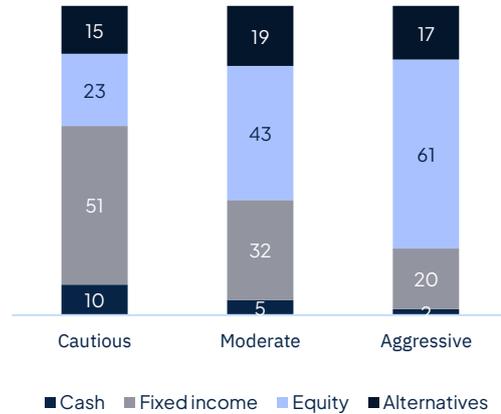
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Cross-asset Update

The Greenland crisis today is fostering a ‘Sell America’ trade across US equities, Treasuries, as well as the US dollar. We do not think this will be lasting. Productivity in the United States is on the rise, US growth in relative terms is strong as compared to other key areas, and services are doing well, all pointing to dollar outperformance in the near term, as well as to resilient equity markets. Also, we hold the view that the Greenland crisis should not be viewed in the light of Trump’s blustering rhetoric, rather as an existential pursuit for the United States given the dramatically changing conditions of global affairs. The United States feels threatened by the opening up, due to the melting of the Arctic ice, of the Transpolar Route, that offers a new maritime passage to China and Russia while weakening the United States’ dominance of the seas. Greenland is the geo-strategic resource itself for national-security reasons. From a different angle, the blitz intervention in Venezuela is also the quest for a resource, this time the crude oil reserves in the country, rather than the country itself. By controlling Venezuela’s crude supply Trump removed a source of cheap oil from China, and gained control of 30% of crude reserves that now include shale oil, and Guyana, on top of Venezuela. This levels the playing field with China, that has almost absolute control on the processing of rare earths. Both geopolitical events represent instances of the quest for basic resources, in an age where commodities become existential for global superpowers and are the swing factors in the relative balance of power. It is this quest that is pushing the key commodities to all-time highs, from copper to silver, with gold the first mover in this arena. Basic resources are needed for the data-center, as well as for the rearmament global capex cycle, and their control ensures that national security priorities are met. Hence it must be expected that the commodity bull market will last for some years ahead, until the capex and rearmament cycles comes to an end.

In summary, investors should focus less on technology and on dollar-centric assets, and more on basic resources and non-US equities. These are the opportunities that the new cycle portends. Unfortunately, the transition from efficiency, an era dominated by technological progress, to scarcity, an era where basic resources are thrust in the foreground, is far from painless. Historically, it has been a transition from disinflation to inflation, from more muted growth to high-powered growth and heightened macroeconomic volatility. Also, the quest for resources implies direct confrontation and portends times of war. What is more remarkable, is that in the past during similar cycles the monetary system came under pressure. In 1971, during a period of stagflation, President Nixon declared the non-convertibility of dollar into gold, and towards the end of 2008, during the Great Financial Crisis, Fed chair Bernanke started the first round of Quantitative Easing to rescue the dollar system from collapse. We do not know what is in store this time. We know it will be absolutely topical and encompassing all of society.

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

US Treasuries were quite volatile last week before the three-day weekend. The threat to Fed independence jolted complacent investors. Federal Reserve Chair Jerome Powell confirmed on 11th January that the US central bank has received grand jury subpoenas from the Justice Department, which could lead to a criminal indictment. Powell stated that the subpoenas pertain to his June congressional testimony regarding renovations at the Fed's headquarters and emphasised this should be viewed against the backdrop of ongoing government pressure. However, President Trump, speaking to NBC News on Sunday, denied any knowledge of the DOJ's investigation. Fed speakers last week vehemently opposed these infractions and many of them doubled down on a pause in next week's FOMC meeting. This development marks a significant escalation in tensions between the Fed and the administration. The US Treasury curve flattened with the front-end going up by 5 to 7 bps while the long end moved up only 2 bps.

MBS spreads have compressed by 15 to 20 bps post President Trump's announcement of \$200bn MBS purchase program by the GSEs. Further tightening from current levels is dependent on the scaling up in the size of the program which is not impossible given that this is an election year and cheaper funding costs for Housing gets bipartisan support. However, there is a possibility of higher housing prices feeding through to inflation numbers. These could result in bond yields increasing until they get a push back from the administration. So, we continue to recommend neutral positioning for our investors until further clarity emerges.

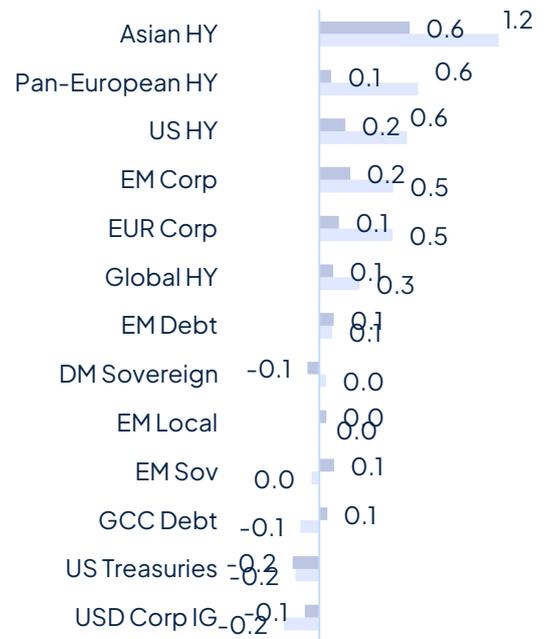
High yield spreads tightened by 8 bps last week, reaching 251 bps on the Bloomberg \$ HY index— that closed to post-GFC lows. Fundamentals remain strong following Q3 earnings, supporting expectations for positive carry returns. In emerging markets, corporate ratings trends were favourable, with rising stars outnumbering fallen angels for the first time since 2019, according to JPM. Aggregate credit metrics for EM corporates remain robust, suggesting a neutral to slightly positive rating outlook despite some macroeconomic uncertainty.

Fixed income issuance in the GCC remained active last week, supported by three transactions. Energy Development Oman accessed the market with a USD 650mn senior unsecured sukuk maturing in 2036, priced at 5.14%. In addition, Saudi Electricity Company returned to the market with a multi-tranche USD issuance totalling USD 2.4bn, including 2029, 2032, and 2036 maturities, priced at 4.31%, 4.52%, and 5.07%, respectively. Saudi National Bank, the largest bank in KSA, issued a USD 1bn subordinated perpetual with a first call in 2031, priced at 6.15%. Notably, in the first two weeks of 2026, total GCC issuances amounted to USD 26.1 bn, led by KSA with a 74% contribution.

Fixed Income Key Convictions

DEVELOPED MARKETS
Overall neutral DM FI
Neutral Government Bonds
Underweight IG & Neutral HY
EMERGING MARKETS
Overweight EM Debt
Favor quality and selectivity
Including in GCC

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



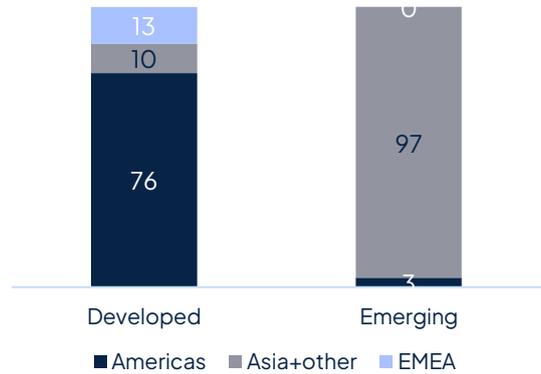
Equity Update

Global equity markets ended the week modestly higher, though performance varied sharply by region and sector. The MSCI ACWI rose 0.4%, supported by a strong advance in emerging markets, which gained 2.3%. Developed markets were largely flat, and the S&P 500 declined 0.4%. Equity performance over the week was defined by two dominant themes: pronounced dispersion within financials following earnings, focus on AI with TSMC's earnings. The Q4 earnings season kicked off with major U.S. financial institutions exposing a clear divide between market-facing franchises and more balance-sheet-sensitive lenders. Goldman Sachs rose 2.5% over the week as investors responded positively to strong trading performance and improving momentum in capital markets activity. Morgan Stanley gained 1.5%, supported by similar strength across institutional securities and steady client engagement. Other banks lagged meaningfully. Citigroup fell 2.7% as investors focused on cost pressures, execution risk, and uncertainty around strategic priorities. Bank of America declined 5.2%, underperforming peers as the market reacted to margin pressure and more cautious commentary on fee income. Equity investors rewarded banks with scalable trading platforms and visible revenue momentum, while penalizing those facing operational or profitability headwinds. The week reinforced that bank equities are no longer trading as a single block, but on a mix of business execution, and capital efficiency. Asset managers delivered a contrasting signal. BlackRock was the standout performer among large-cap financials, rising 7.2% on the week after reporting record assets under management of \$14 trillion. Equity markets responded favorably to strong inflows, particularly into ETFs, and continued expansion across both public and private market strategies. The results highlighted sustained investor engagement and reinforced the premium being placed on scale, liquidity, and platform breadth within the asset management space.

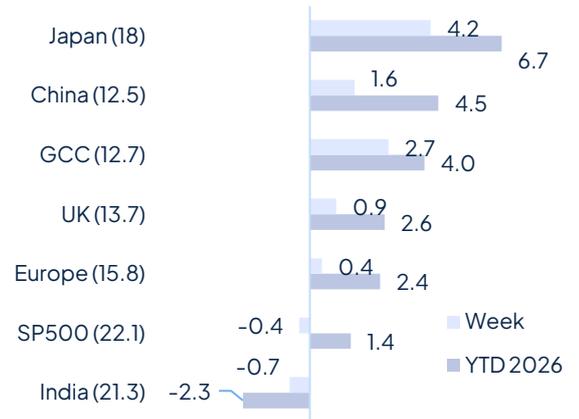
Outside financials, the AI supply chain reasserted itself as a source of equity leadership. Taiwan Semiconductor Manufacturing Co. rose 3.7% for the week after delivering an upbeat outlook and reinforcing expectations for sustained capital spending into 2026. The update renewed confidence in AI-related demand visibility and lifted sentiment across global semiconductors. The strength in TSMC had meaningful spillover effects across regions.

In Europe, technology led equity gains, with ASML reaching record highs and surpassing a \$500 billion valuation milestone. The move underscored Europe's leverage to the global semiconductor cycle and provided a key source of support for regional equities. The MSCI Europe Index rose 0.8% for the week, with technology and defence stocks offsetting weakness in more domestically exposed sectors. Asia delivered the strongest regional performance. Japan led global markets, with the TOPIX rising 4.1% over the week. Political speculation around a potential snap election contributed to momentum earlier in the week before trading settled. Chinese equities posted weekly gains, with the MSCI China Index up 1.6%, though trading was volatile. Export data pointed to continued resilience in manufacturing, supported by a record trade surplus and strength in higher value-added goods. Regulators tightened margin financing rules and restricted high-frequency trading infrastructure, reinforcing an effort to moderate speculative excess without undermining broader confidence. Policy support remains in place, with a clear emphasis on stability.

Equity Recommended Regional Positioning

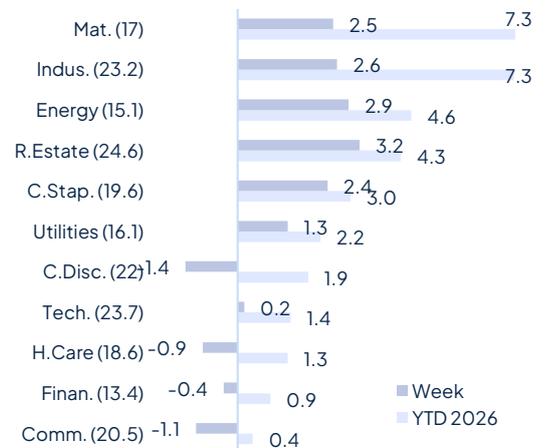


Major Indices Performance (TR, US\$), P/E in brackets



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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