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AIP

9th January 2026

Theatrics aside, a strong start to 2026

Risk assets have rallied this year, despite US actions in Venezuela and threats on Greenland. Non-US equities, especially our preferred Asia ex-Japan equity market, and precious metals have outperformed, extending 2025's trend. This underlines the need for diversification and hedging. Solid outlook for corporate earnings, easy fiscal policies worldwide and a Fed increasingly aligned towards cutting rates, with the looming change of guard, should be positive for equities. Meanwhile, precious metals have a tailwind in a world fraught with geopolitical risks, while the USD faces risks, especially against the JPY. Alternatives provide a route to better risk-adjusted returns amid heightened uncertainty. Near-term risks include US jobs and inflation data, a Supreme Court decision on tariffs and the unrest in Iran.

Equities

Expect US earnings growth to be modest in Q4 2025 but to re-accelerate thereafter. Corporate guidance on the 2026 outlook will be critical in driving further gains in US equities. Favour a barbell approach in sector strategy, with growth exposure from technology along with defensive exposure from healthcare and utilities.

Bonds

AUD-denominated investors, this as opportune time to accumulate AUD bonds in AUD cash outright. While the risk of higher yields remains, a further substantial sell-off appears unlikely, as expectations for rate hikes are already reflected in prices. However, for USD-denominated investors cautious, given the risk of near-term currency weakness.

Commodities

Silver is likely to face short-term headwind from stretched investor positioning, although medium-term momentum remains strong. Key support around USD 69-70/oz, with resistance near USD 82-84/oz. As a 'catch-up trade' prefer gold mining equities. Remain bullish on gold with an end-2026 target of USD 4,800/oz.

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