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AIP

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Refocusing on growth and earnings

Improving growth and earnings offer room for optimism in early 2026. Preference for equities and gold, supported by earnings growth and diversification demand, respectively, has delivered positive results thus far. Add to US and Asia ex-Japan equities. Recent corporate earnings provide fundamental support for US markets, notwithstanding the AI bubble debate. Asian equities are supported by robust fundamentals and a weak USD. Stay Overweight gold. Looking through recent volatility paints a picture of still-strong central bank demand and a sustained price uptrend. The recent pause is an opportunity for under-allocated investors to add exposure.

Equities

Maintain an Overweight allocation to global equities amid resilient global growth and company earnings. Asia ex-Japan (AxJ) and the US are preferred regions. Strong US Q4 2025 earnings, a more accommodative fiscal policy and expectations of further Fed rate cuts are set to reinforce economic soft-landing expectations for the US. Within AxJ, China and India equities are preferred, anticipating gains from improved governance and ongoing fiscal measures.

Bonds

Global bonds could be seen as a core holding, with a relative preference for government bonds over corporate bonds given still-attractive nominal yields vs. expensive corporate bond valuations. A view of a 3% Fed funds rate by end-2026 and expect the US 10-year government to ease to 3.75-4.00% within 6-12 months. Five- to seven-year bond maturities offer the most attractive balance between higher yields and managing risks.

Currencies

Expect the US Dollar index (DXY) to decline slightly to 96 over the next one to three months, with our 12-month forecast unchanged at the same level as US economic growth slows and the Fed's policy stance becomes less USD-supportive relative to other global central banks. The CHF, rather than the JPY, is expected to remain a standout performer among safe-haven currencies, underpinned by persistent geopolitical tensions and ongoing uncertainties surrounding US international relations.

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