

## Structural changes top of investor minds

- Last week was positive across most asset classes, with dollar returns boosted by currency weakness
- AI drives equity markets with a dual narrative: returns on investment for hyperscalers, and disruption for others
- We kept our allocation unchanged, which continues to work well thanks to emerging markets and gold

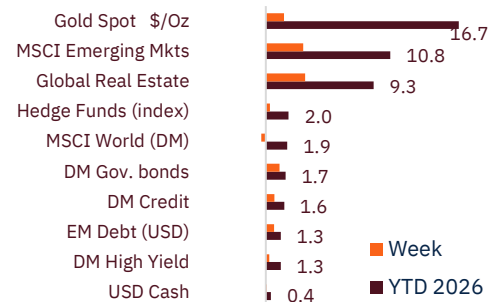


We are living fascinating times where technology, economy and finance are merging into one single mega transformative force, with deep changes from AI impacting everything, from energy and resources to policies and geopolitics. This is structural and will unfold over years. Yet, markets are already discounting the shift.

Last week was positive with all asset classes delivering positive returns expressed in US dollars, partially helped by the weakness of America's currency. Stocks from emerging markets and global listed real estate topped returns with +3%, closely followed by gold, up 1.6%. It was different for DM, down due to the US falling another -1.5%. Looking into the sector ranking is interesting. Winners are the beneficiaries from the AI buildup: energy, industrials, commodities and utilities. Losers are both the hyperscalers, as markets question the future returns on their exorbitant investments, and the potential victims of AI disruption, especially in services. Interestingly, the recent macro data also looked like the future AI-reshaped world is already with us. While growth is solid, as predicted by leading indicators, inflation doesn't drift higher while the labor market remains tepid. The 130k job creation in the US for January was twice as much as the median forecast, though statistics for 2025 were drastically revised lower. No surprise, then, that expectations for the Fed turned a bit more dovish, and that the safety of fixed income asset was sought after. As well as gold was.

Our 2026 Outlook is about a world deeply transformed by technology and geopolitics, and as discussed during our roadshow our reshuffled strategic allocations account for that. Tactically, we remain overweight on emerging markets across stocks and bonds, as well as on gold, while we are more cautious on hedge funds, DM stocks and investment grade corporates. So far, it works perfectly with our strategies already delivering between 3% and +5% this year. But we have to remain extremely vigilant and selective. Have a great week.

Asset Classes USD % total. Return, week and YTD 2026



## Cross-asset Update

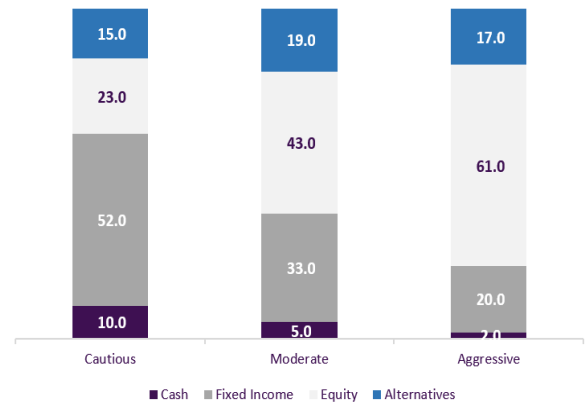
Two of our tactical positions, the overweight on gold and on emerging market equities, have so far done well for the year, the former +16.1%, the latter +10.8% YTD. If we take a step back and acknowledge that nothing goes up in a straight line, and focus on the longer time frames, we think we have plenty of reasons to remain bullish on both asset classes.

The macro environment remains structurally constructive for the EM economies. They have historically been geared to the manufacturing cycle, that is starting to pick up according to global business confidence surveys. That is quite logical, considering that both the AI race and the arms race are driving strong and synchronous capital expenditure cycles, in turn feeding into heightened manufacturing activity. Shorter term it is possible that the related global-resources theme has run too hot, and that a lull in aggregate demand growth in China can cause some air pockets, but leading indicators remain supportive. The global central bank easing cycle has been leading manufacturing by about twelve months, so strong past easing would be boding well for today's manufacturing. Also, Taiwan exports have been strong YoY%, that would tend to translate positively for industrial activity as well, as Taiwan continues to be a great barometer for global growth. Indeed, the Citigroup EM Risk Index is at quite low levels, pointing to diminishing macro risks, so improving economic conditions. We hold the view that both the building out of the data centres and the rearmament cycle are in their early stages, so manufacturing activity has much further to run, implying structural upside potential for EM stocks. A weakening dollar, now in the interest of the Washington Administration to support growth in domestic manufacturing activity, is also one more tailwind for the EM economies. It is not by chance that EM equities have broken a 19-year range to the upside, that tells us that conditions have changed for the better, and for years to come.

On gold the bull case is clear cut: debt levels in the West are growing too fast, hence gold prices must adjust to the upside so that the real value of debt won't grow alarmingly. And, as already mentioned, the supporting of industrial activity in the United States is only possible if manufacturing activity outside of the United States becomes more expensive, that happens only via a lower dollar, that is higher gold prices. Also, BRICs countries are no longer eager to accept massive amounts of US Treasuries as collateral. A case in point is China, that wants to internationalize the Yuan via gold and keeps on purchasing the yellow metal. Risks to the gold bullish view are posed by very strong US growth, a consolidation of US debt, or loss of leadership in the BRICs that sees anti-dollar movements wane. Overall, we think the bull case remains much more compelling for gold than the risk to the view.

Investors should further skew portfolios towards EM equities and gold holdings.

## 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

Last week, US Treasury yields fell by 9 to 15 basis points and the curve flattened, reflecting weakness in risk assets, slightly disappointing labour market figures, a subdued January CPI release, and robust demand at the February refunding auctions. Regarding economic data, initial jobless claims decreased by 5,000 to 227,000 (consensus: 223,000), while continuing claims increased by 21,000 to 1,862,000 (consensus: 1,850,000). U.S. CPI for January was reported at 2.4% year-on-year, below the anticipated 2.5%. Ten-year yields are now nearly 25 basis points beneath their early February peak of 4.3%, as equity market volatility rises. Markets are now pricing in 62 basis points of rate reductions by year-end, compared to 50 basis points last Thursday. The FOMC minutes will be released this Wednesday, and a series of global PMI reports on Friday are expected to impact the U.S. Treasury yield curve.

Last week, a significant volume of AI-related debt was issued, with Alphabet raising \$32 billion and Oracle issuing \$25 billion the previous week. Investors are increasingly concerned that leading technology firms will continue to amass debt in pursuit of AI advancements, potentially to their detriment. This apprehension has revitalised the market for credit derivatives among investment-grade corporates, a market which was almost dormant a year ago, with Oracle, Meta, and Alphabet among the most prominent participants. Fears surrounding AI disruption are evident beyond equity markets. For example, Concentrix Corp. (rated BBB), a U.S. provider of outsourced customer services, paid a 130 basis point premium over the secondary market last week compared to an average of 2 bps for IG corporates to refinance its debt, reflecting worries that AI could erode its business. Additionally, Bloomberg reports that over 250 transactions, totalling more than \$9 billion, were not classified as software loans by certain BDCs, despite being identified as such by other lenders, sponsors, or the companies themselves. This highlights the possibility that private credit exposure to the software sector may be greater than previously recognised.

USD credit outperformed equity last week delivering 0.74% return driven by yields going down even though index OAS spreads widened. HY USD index spreads widened more than the IG spread as it contains more software exposure. HY index returns were flat. EM Debt returned 0.59% as spreads widened by 5 bps. We remain overweight on EM Debt.

GCC primary market issuance remains robust, with total issuance around \$40bn till date, a 40% increase on YoY basis. Sovereigns and government-related entities (Saudi Arabia, PIF, and Bahrain) contributed 39% of total issuance, followed by corporates at 34% and financial institutions at 27%. Saudi Arabia continues to dominate activity, accounting for roughly 67% of overall volumes. Strong investor demand has kept GCC spreads largely range bound. Last week, Mashreq Bank priced its \$500mn PerpNC5-year ATI bond at 6.25%. The order book exceeded \$2bn, indicating solid oversubscription levels.

## FIXED INCOME KEY CONVICTIONS (2025)

### DEVELOPED MARKETS

Overall overweight DM FI

OW Government Bonds

Neutral corporate (IG & HY)

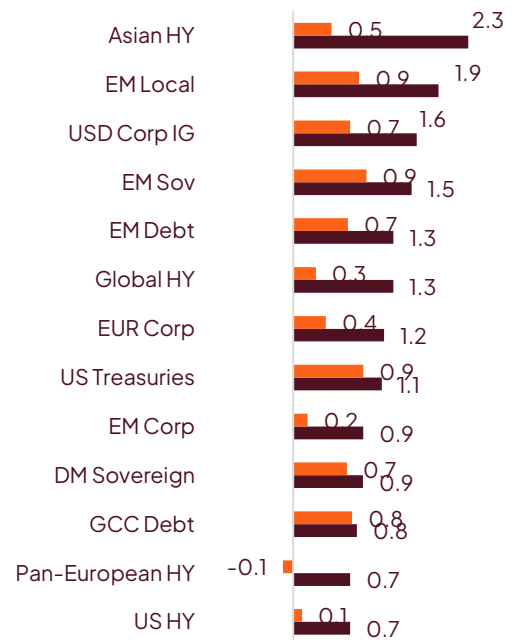
### EMERGING MARKETS

Neutral EM Debt

Favor quality and selectivity

Including in GCC

## Fixed Income Sub Asset Class Returns (US\$ TR, week, YTD 2026)



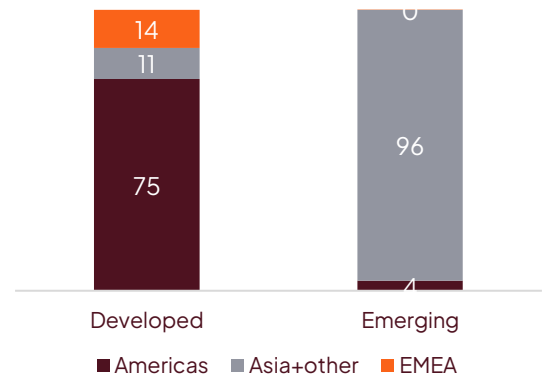
## Equity Update

Global equity markets ended the week looking deceptively calm on the surface, yet underneath that flat headline lay one of the clearest rotations of the year. The MSCI ACWI finished unchanged, masking a -0.4% decline in developed markets and a powerful +3.3% advance in emerging markets. The S&P 500 lost 1.3%, Europe managed a modest 0.3% gain, and Japan stood out decisively with the TOPIX rising 3.2% to fresh highs. The week began with a broad re-engagement in risk, as improving breadth and steady macro data allowed investors to look beyond last week's narrow leadership. However, as days progressed, that early optimism gave way to a more selective tone, particularly in the US, where the rally once again ran into valuation sensitivity at the index level. The failure to sustain upside near record territory signaled that investors are no longer willing to pay indiscriminately for growth, especially when positioning is crowded and narratives are stretched.

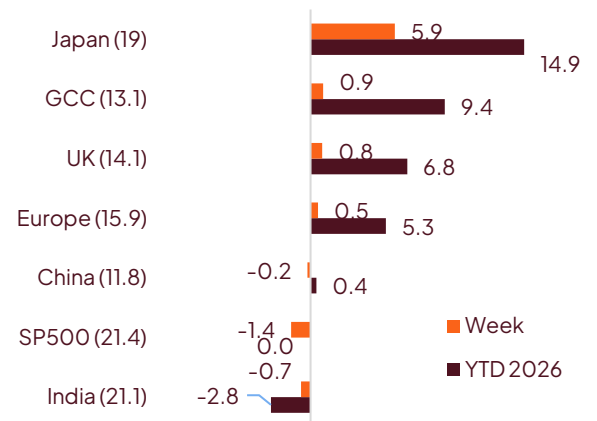
What makes this tension interesting is that earnings themselves have not been weak. With 74% of S&P 500 companies having reported fourth-quarter results, 74% have beaten EPS estimates. That beat rate is slightly below the five-year average of 78% and the ten-year average of 76%, so upside surprises are not as broad as usual. But the magnitude of growth is stronger than expected. Actual earnings growth is now tracking at 13.2%, well above the 8.3% expected at the start of the quarter. Corporate America is delivering double-digit profit expansion. And yet, the market hesitated. The reason is fairly straightforward: the debate has shifted from "are companies growing?" to "is this growth sustainable and properly priced?" AI is at the center of that conversation. Conference calls have been filled with references to disruption risk and competitive threats, and investors are caught between two fears. On one side, AI could undermine large parts of the economy. On the other, hyperscalers are spending at unprecedented levels without immediate payoff. That contradiction has led to sharp repricing in segments of US tech. Even Friday's softer CPI, which pushed yields lower and kept the path for Fed easing alive, could not trigger a broad rally because weakness in the largest names capped index-level progress.

If you want to see where conviction actually exists, you have to look at Japan. Prime Minister Sanae Takaichi's decisive election victory removed political uncertainty and gave investors a clear fiscal roadmap. Her government's emphasis on semiconductors, defense, industrial machinery and strategic industries reignited what many are calling the "Takaichi trade." Chip equipment makers, defense contractors and capital goods firms led the move, and banks benefited from firmer long-end yields and improved earnings leverage. Japan is not just rising because global liquidity is abundant; it is rising because policy direction is coherent and sector beneficiaries are visible. Europe, measured by MSCI Europe, managed a 0.3% gain for the week, though the path was uneven. Healthcare strength earlier in the week helped, but banking shares softened and L'Oréal weighed on sentiment after softer sales, particularly in China. The region is holding near record levels, yet earnings revisions continue to trend lower, leaving little room for complacency. In emerging markets, flows remained supportive, helped by structural shifts in global benchmark weightings that continue to favor markets like India, reinforcing the 3.3% weekly gain in the broader EM complex. So, when you step back, the flat global index print hides something more important. This is no longer a synchronized rally led by a handful of US mega-caps. The US is wrestling with valuations discipline in its AI-heavy core despite solid earnings growth.

## Equity Recommended Regional Positioning

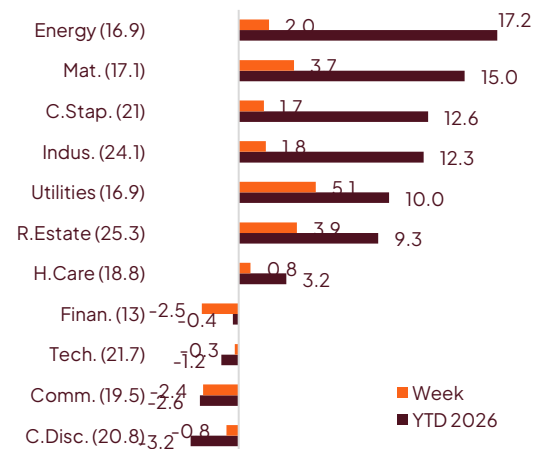


## Major Indices Performance (TR, US\$), P/E in brackets



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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