



1H26 | INVESTMENT OUTLOOK

Late Cycle Dynamics, Wider Dispersion

December 23, 2025

Executive Summary

The global macroeconomic backdrop remains fragile, characterized by broadly weak growth dynamics, albeit with pockets of relative temporary resilience, notably in parts of Europe. Against this backdrop, global central banks are likely to maintain a nimble and data-dependent policy stance, preserving flexibility in the event the economic outlook were to deteriorate materially. At the same time, concerns around fiscal discipline and debt sustainability are set to remain a persistent overhang for developed market sovereigns, continuing to influence term premia and risk pricing. On the geopolitical front, risks could moderate as the prospect of a negotiated resolution between Ukraine and Russia emerges and as the U.S. political calendar shifts toward the mid-term elections—a phase during which a Trump administration would be incentivized to prioritize lower inflation, easier financial conditions, and supportive equity market performance. Against this backdrop, portfolio positioning is built around resilience with asymmetry control. Record equities and credit valuations will lead to periods of heightened volatility which investors will need to take advantage of.

In equities, the stance remains neutral at the headline level. Record-high valuations suggest forward returns will be muted. However, technically, there is no indication of a correction ahead. Our strategy focuses on broadening exposures: adding U.S. mid-caps as a direct expression of improving domestic breadth vs. mega-cap concentration and holding a European/EM overweight while adding a European small-cap sleeve alongside a core large-cap exposure. Sector exposure remains well diversified at this stage.

In fixed income, the stance is defensive: overweight government bonds, underweight corporate credit, and neutral duration, reflecting rangebound yields and thin spread compensation.

In FX, our framework points to a range-bound USD with a mild weakening bias, while acknowledging that the dollar retains defensive appeal in a recessionary or risk-off environment. Within G10 currencies, the GBP, NOK and AUD stand out as a higher-conviction expressions of USD weakness and a repricing of U.S. growth expectations, while EUR upside appears relatively capped above 1.20.

In commodities, the stance is deliberately positive: long agriculture, modestly long energy and precious metals.

INVESTMENT STRATEGY VIEWS							
	Bearish	Neutral	Bullish		Bearish	Neutral	Bullish
Global Asset Allocation				Fixed Income			
Equities	○	●	○	Governments	○	○	●
Fixed Income	○	●	○	Corporates	○	●	○
Commo/Special Opp.	○	○	●	Investment Grade	○	●	○
Alternatives	○	○	●	High Yield	●	○	○
Cash	●	○	○	Duration	○	●	○
Equities				Regions			
Regions				DM			
US	○	●	○	EM	○	●	○
Europe	○	●	○	Currencies			
APAC	○	●	○	USD	●	○	○
EM	○	○	●	EUR	○	●	○
Sectors				JPY	○	●	○
Communication Services	○	●	○	GBP	○	○	●
Consumer Discretionary	●	○	○	CHF	○	●	○
Consumer Staples	○	●	○	SEK	○	●	○
Energy	○	●	○	Other	○	●	○
Financials	●	○	○	Legend			
Health Care	○	●	○	■ - Current View			
Industrials	○	●	○				
Information Technology	○	○	●				
Materials	○	●	○				
Real Estate	○	○	●				
Utilities	○	○	●				

Global Macro Outlook

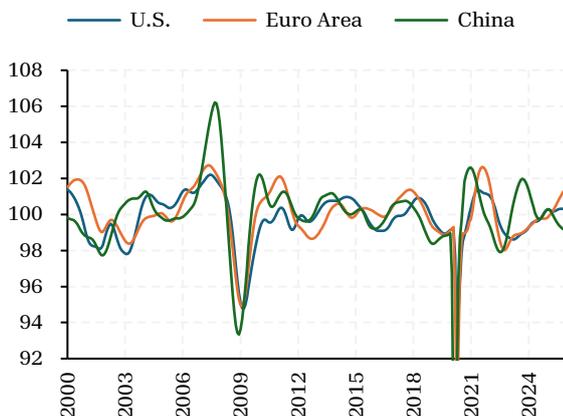
Low Speed, High Dispersion

The global economy enters 1H26 at very low speed. The U.S. is cooling as the consumer loses one-off support and labor markets normalize. China is still decelerating through the property channel. Europe is improving, but mainly as a catch-up from a weak patch vs. start of a new cycle. With inflation back toward target and growth near stall speed, the risk of a DM “Japanification” regime is rising: low trend growth, low inflation, and relatively more frequent central bank cuts. 2026 is a pivot year: the near-term path looks softer, with policy easing doing more of its work later rather than immediately.

Gradual DM improvement, but at low altitude

OECD leading indicators align with a stabilization, not acceleration. The U.S. CLI sits around trend, pointing to trend-like growth rather than a fresh upcycle. The euro area has improved more visibly, consistent with a catch-up phase. China remains below trend, reinforcing the view that the global impulse is coming from Europe improving at the margin, not from China re-accelerating (Exhibit 1).

Exhibit 1: OECD Composite Leading Indicators



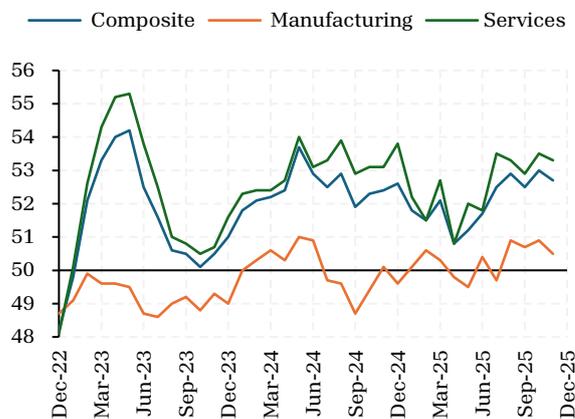
Sources. MAM Research, OECD Data.

Global manufacturing stabilizing, services flat

Global PMIs point to an economy that is expanding, but slowly. Manufacturing output is only modestly above 50 while services remain stronger, keeping composite in expansion (Exhibit 2). The rebound is narrow and capex-light: the cycle is not delivering a broad “industrial upswing”, and trade is at best becoming less of a drag rather than a new tailwind.

Cost signals remain mixed: input costs firmed but pricing power is limited; not a strong backdrop.

Exhibit 2: JPMorgan Global Composite PMI Output

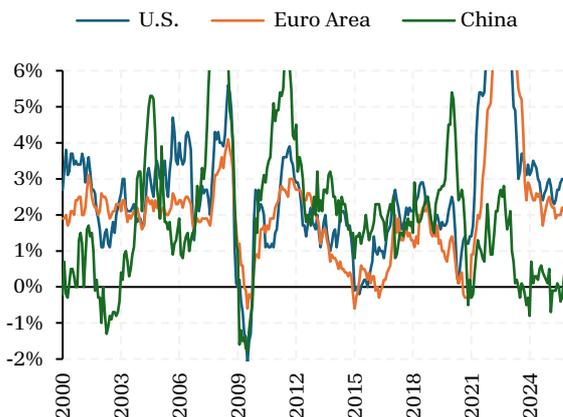


Sources. MAM Research, S&P Global.

Global inflation converging, but not collapsing

Disinflation continued, but the last mile is slow. U.S. inflation remains stickier, euro area is closer to target, and China is still a disinflationary anchor (Exhibit 3). Net, DM inflation looks more likely to plateau than to fall quickly, supporting a gradual easing but keeps the policy debate very much in focused on “how much” rather than “whether.”

Exhibit 3: Global Inflation Dispersion



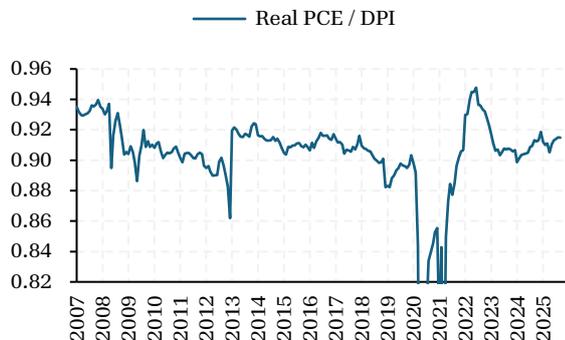
Sources. MAM Research, St Louis FRED, Eurostat, NBS.

U.S. Consumer no longer a growth accelerator

Real PCE/DPI stabilized, indicating consumption is again income-anchored rather than powered by excess savings/dissaving (Exhibit 4). It is healthier

structurally, but implies consumers are unlikely to provide incremental upside: as labor income cools, consumption growth is set to slow down along with it, reinforcing a low-speed global setup.

Exhibit 4: U.S. Demand: Real Consumption vs. DPI

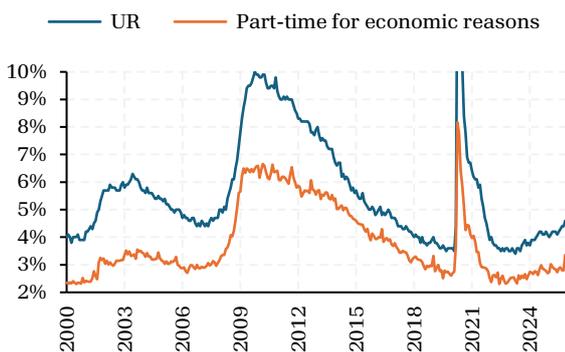


Sources. MAM Research, St Louis Fed.

U.S. Labor cooling via hiring and hours

Labor conditions softened without a disorderly layoff cycle, but the course is clear. Unemployment drifted higher and underemployment (part-time for economic reasons) has moved up, consistent with late-cycle rebalancing (Exhibit 5). Labor demand normalized: openings, quits and hiring rates are lower, reflecting reduced bargaining power and fewer job switches (Exhibit 6). Wage growth has cooled materially (ECI ~3.5%, Atlanta Fed Wage Tracker ~3.8%; Exhibit 7), reducing risk of a wage-price spiral while reinforcing that the economy is running at stall speed, not re-accelerating.

Exhibit 5: U.S. Labor Market Slack



Sources. MAM Research, BLS.

Exhibit 6: JOLTS



Sources. MAM Research, BLS.

Exhibit 7: U.S. Wage Trends

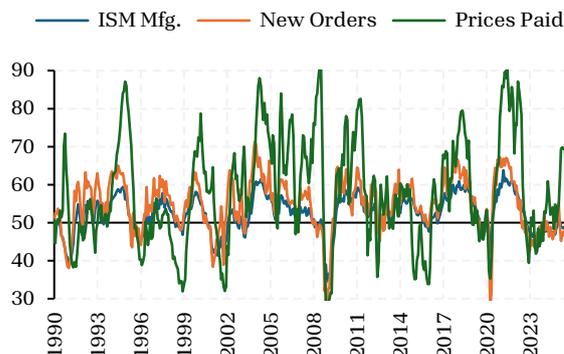


Sources. MAM Research, BLS, Atlanta Fed.

U.S. Manufacturing weak, services resilient

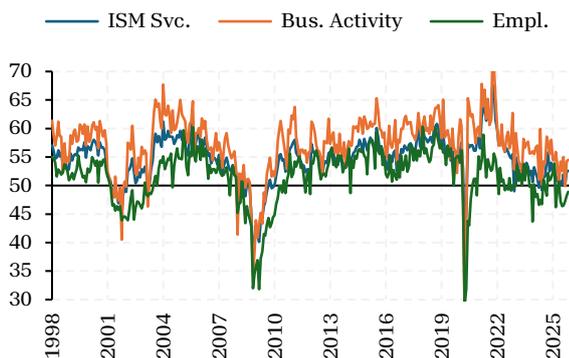
Manufacturing is still in contraction, and internals show weak demand: new orders and backlogs are soft and employment is contractionary, even as production held up (Exhibit 8). Services remain expansionary, but the mix is late cycle: business activity is solid, new orders slower, employment below 50, and prices paid elevated (Exhibit 9). It is consistent with slowing growth and sticky services inflation, not a clean growth re-acceleration.

Exhibit 8: ISM Manufacturing Survey



Sources. MAM Research, ISM.

Exhibit 9: ISM Services Survey

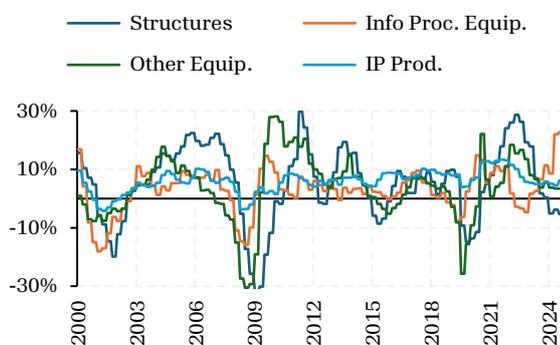


Sources. MAM Research, ISM.

“AI/Compute” doing the heavy capex lifting

Capex is narrow but powerful. The cycle is being carried by information-processing equipment (e.g., AI infrastructure), which flipped from contraction in late 2023 (-4.7% YoY) to a sharp 2025 surge. That said, the market is increasingly questioning how much of this spend is ultimately productive, with a growing recognition that capital allocation will be uneven and that there will be clear winners and losers as the cycle matures—an issue already visible in the debate around large-scale cloud and AI investments such as Oracle’s strategy, and likely to intensify into 2026. In contrast, structures remain a drag, sitting in a mild but persistent contraction (-4–5% YoY) that looks more like a plateau than a renewed leg down. The rest of the complex is mixed, with other equipment having cooled towards 1–2% YoY while IP products remain steady in the mid-single digits (Exhibit 10). Net, the investment impulse is increasingly driven by computing/software—supportive for activity, but less diversified and potentially more fragile than a typical mid-cycle upswing.

Exhibit 10: Real Fixed Invest. – Non-Residential YoY

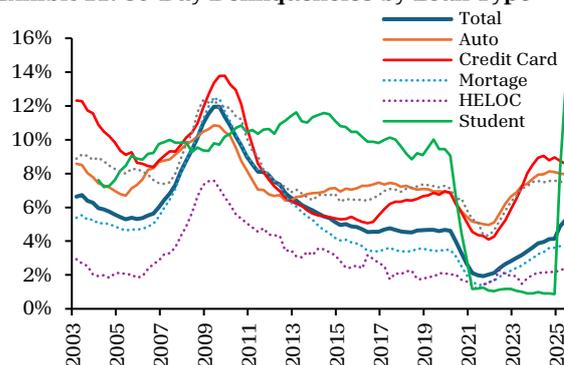


Sources. MAM Research, BEA.

U.S. Consumer credit walking a tight rope

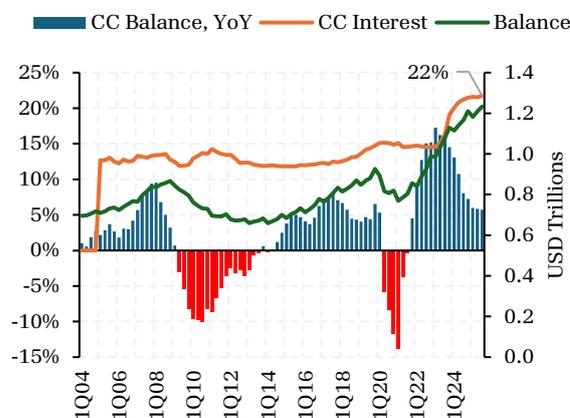
Credit stress is not universal but rising where it matters most for marginal demand. DQs moved up in credit cards/autos, and student loans became the clear outlier following repayment resumption (Exhibit 11). At the same time, the cost of revolving credit remains extremely high (low-20s APR), while revolving credit growth has rolled over, implying HHs are deleveraging at the margin rather than using credit to sustain spending (Exhibit 12). It is consistent with increasingly defensive consumers.

Exhibit 11: 30-Day Delinquencies by Loan Type



Sources. MAM Research, Fed/FRED.

Exhibit 12: Credit Card Balances

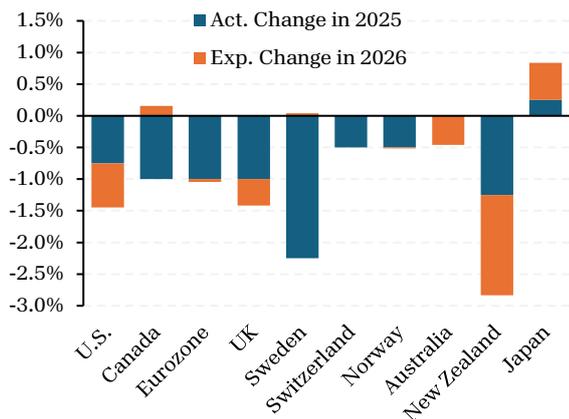


Sources. MAM Research, NY Fed.

Rates cut cycle maturing but divergence returns

The rate-cutting cycle is maturing and divergence remains, with Japan still normalizing while most DM central banks sit in easing mode (Exhibit 13). The base case is that slower growth pushes central banks to be more active than the current “selective easing” suggests. The growth support from easing is likely to show up with a lag, more meaningfully in 2H26 into 2027 rather than immediately.

Exhibit 13: Central Bank Policies

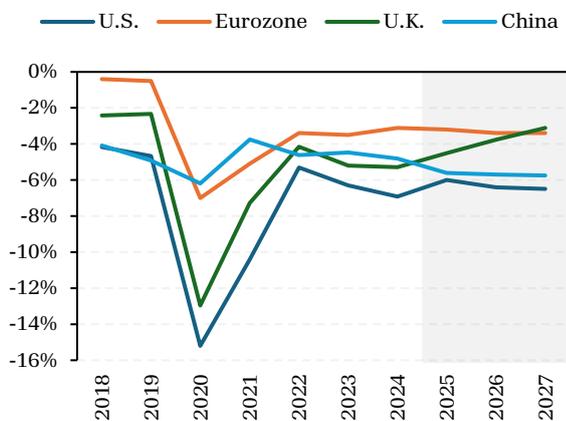


Sources. MAM Research, Bloomberg.

Fiscal deficits risk self-fulfilling higher rates

Fiscal deficits remain structurally wide in major economies (**Exhibit 14**). The shift is increasingly over both interest costs and net supply: persistent borrowing needs alongside balance-sheet run-off keep a floor under term premium even as policy rates are cut. Fiscal can cushion growth at the margin, but it also makes long-end rates more sensitive to supply and term-premium repricing in a low-growth world.

Exhibit 14: Government Budget Balance (% Deficit)

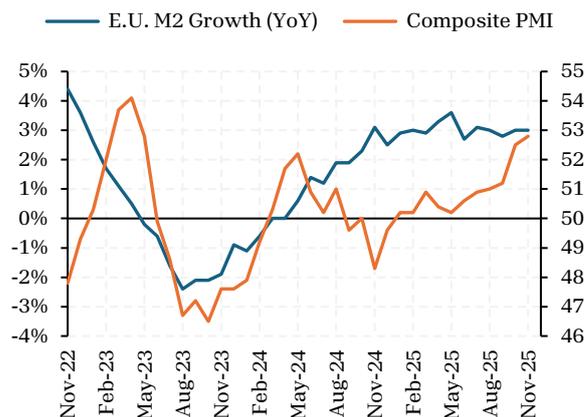


Sources. MAM Research, Bloomberg.

EU – Marginal strength, not a breakout

Europe is improving at the margin, supported by easier conditions and a firmer domestic pulse. M2 growth has turned higher and composite PMI has stabilized in expansion (**Exhibit 15**). This looks like catch-up, not a new boom: manufacturing remains the weak link and external constraints persist. Net, Europe is a pocket of relative strength, but it does not change the broader low-speed global regime.

Exhibit 15: Eurozone M2 Growth & Composite PMI



Sources. MAM Research, ECB, S&P Global.

China – Property-dependent stabilization

China is policy-supported but not self-sustaining. M2 YoY improves liquidity, but residential prices remain weak, keeping both confidence and private demand subdued (**Exhibit 16**). Until the property sector stabilizes durably, China is likely to remain a low-growth, low-inflation contributor supportive for global disinflation, but not a reliable engine of global growth.

Exhibit 16: China M2 Growth & Property Prices



Sources. MAM Research, PBOC, Bloomberg.

Geopolitics less central than in 2025

We see geopolitics as less market-dominant than in 2025 with political attention shifts to domestic priorities into the 2026 U.S. midterms. We assume fewer new external policy shocks and a modest reduction in geopolitical risk premium. A Russia-Ukraine ceasefire remains an upside tail scenario. It would help sentiment and energy risk premia, but not, reverse the low-speed growth regime.

Big Themes into 1H26

AI – Narrow Capex, Broad Consequences

AI remains the defining micro-to-macro theme, but the key point is concentration. The capex impulse is strong and still dominated by info-processing and IP investment, while the broader industrial capex cycle is still hesitant. In a low-speed global economy, it keeps growth supported, but it also increases macro fragility: if the AI capex impulse cools, there is not a broad manufacturing upswing ready to take the lead. Net: AI is supportive for activity, but also a leadership and concentration story that matters for equity breadth, earnings dispersion, and the “quality vs cyclicals” balance.

Agriculture – Area of Opportunity

Agriculture fits 1H26 because it is one of the few real assets where returns can be driven by supply shocks even when growth is slow. Weather, crop disease, export restrictions, inventory tightness all can matter more than GDP. That makes agriculture useful in a *Japanification risk* world: it can deliver idiosyncratic inflation protection or diversification when cyclical commodities are more tethered to global growth. Net: agriculture is best treated as a selective sleeve with asymmetric upside in supply shocks rather than a broad commodity beta.

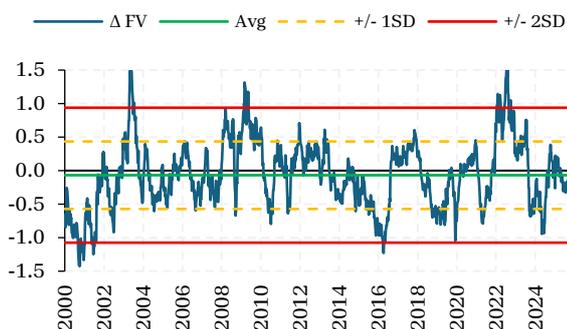
Asset Class Views

Fixed Income | Bullish Sovereign

We enter 2026 defensively: overweight sovereigns, underweight credit, and neutral U.S. and Europe duration. The macro points to range-bound yields, not a clean rally. Real yields are high and term premia is positive on supply/policy uncertainty. With term premia staying high, we favor duration management over one-way duration calls.

U.S. rates remain capped by supply dynamics and macro uncertainty, which keep a floor under yields and make directional duration less attractive. With no material growth slowdown expected until late 1H26, US 10Y around 4.2% (mid-Dec) look broadly consistent with fair value (**Exhibit 17**). Inflation risk compensation is not stretched (10Y breakeven ~2.25%), implying a sustained rally requiring either a sharper growth downshift (lower real rates) or a meaningful compression in term premia. We stay neutral duration, awaiting clearer directionality.

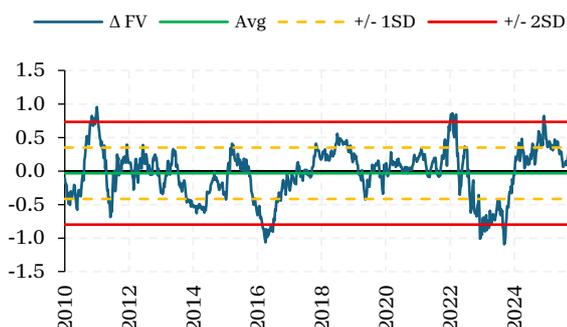
Exhibit 17: US 10-Year Treasury Fair Value Model



Sources. MAM Research, Bloomberg.

In Europe, we are more cautious the long end given issuance risks, even if valuations are reasonable. 10Y Bund yields trade at 2.9%, and our model flags them as 0.7 SD cheap (**Exhibit 18**), arguing against a short duration call on fiscal concerns alone.

Exhibit 18: German Bunds 10-Year Fair Value Model



Sources. MAM Research, Bloomberg.

The long end is exposed to a breakout if investors demand higher term premia amid heavier long-dated supply. To fund the latest fiscal package (defence and infrastructure), Bund issuance rose materially: EUR 128bn of 10Y+ maturities issued YTD (highest since 2015) and share of long-dated issuance has increased (**Exhibit 19**). Bid-to-cover ratios also deteriorated, pointing at lower marginal demand. Thus, we stay neutral duration and want clearer bearish momentum before moving to an outright underweight. Elsewhere, we are ready to add to our Australian or Norwegian sovereigns on weakness (attractive valuations and FX carry).

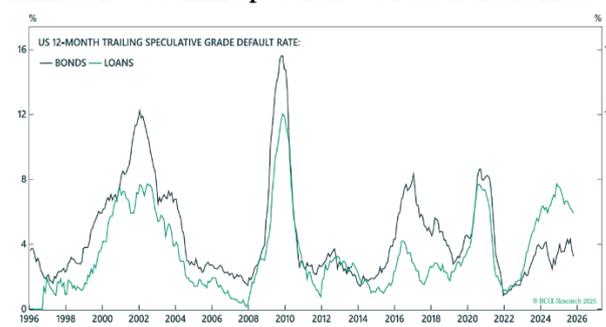
Exhibit 19: German Bunds 10Y+ Issuance (EURm)

	Q1	Q2	Q3	Q4	YTD
2015	19,000	14,000	17,000	11,500	61,500
2016	19,000	17,500	18,000	12,000	66,500
2017	19,000	17,000	18,000	14,500	68,500
2018	21,000	13,500	17,500	11,500	63,500
2019	19,000	13,950	18,750	12,500	64,200
2020	19,000	23,000	29,250	11,250	82,500
2021	29,700	25,700	24,300	16,500	96,200
2022	25,700	23,550	26,600	16,900	92,750
2023	34,200	26,200	30,600	21,100	112,100
2024	31,000	28,000	33,500	24,000	116,500
2025	34,500	32,500	39,000	22,250	128,250

Sources. MAM Research, German Finance Agency.

Credit is a clear underweight in our framework and provides asymmetric hedge in risk-off scenarios. Spread compensation is thin: US IG ~78bp, US HY ~275bp, EUR IG ~78bp, and EUR HY ~280bp, all at multi-year lows. Fundamentals also deteriorated: interest coverage for U.S. and European IG sits near the lower end of the post-2010 range, while non-financial leverage and cash-flow metrics screen elevated outside of financials. Margins are the main offset but are vulnerable if input costs re-accelerate. We see defaults drifting higher as the maturity wall approaches and refinancing occurs at higher coupons, particularly for issuers who locked in ultra-low rates in 2020–21 (**Exhibit 20**).

Exhibit 20: US 12m Speculative Grade Default Rate



Sources. MAM Research, BCA Research.

At the index level, tight spreads plus weakening fundamentals imply a poor risk-reward. We prefer targeted, idiosyncratic credit exposure via direct bonds, selective private vehicles (Ares European Strategic Income Fund, Warehouse Fund), or active EM strategies (BlueBay EM Unconstrained). We remain overweight EM, with a preference for local rates. We view it as a later-cycle trade, as many EM easing cycles are already advanced, but we continue to favor the combination of carry, diversification, and FX optionality, particularly if US growth expectations reprice lower.

Currencies | USD Range-Bound Near-Term

We believe the USD will remain range-bound in H1 2026, with a slight weakening tilt. Despite the 2025 pullback, the dollar still screens ~1.5 SD overvalued on a REER basis (**Exhibit 21**). De-dollarization narratives are often overstated (USD still features in ~89% of FX transactions) but the bar for further depreciation has fallen as the pillars of USD exceptionalism eroded: persistent twin deficits, larger policy volatility, and recurring use of tariffs and sanctions all encourage gradual diversification away from USD assets. Uncertainty around the 2026 Fed leadership transition adds to that drag. Net, the burden of proof remains on the dollar to justify its valuation premium. Positioning, however, is no longer a tailwind: USD shorts are well known, and speculative positioning is already net short (near the low end of the past decade). Our base case is therefore moderate USD weakness in 1H26, smaller than 2025. We keep a two-sided framework: the USD maintains some convexity in a recessionary risk-off and hedge if growth falters.

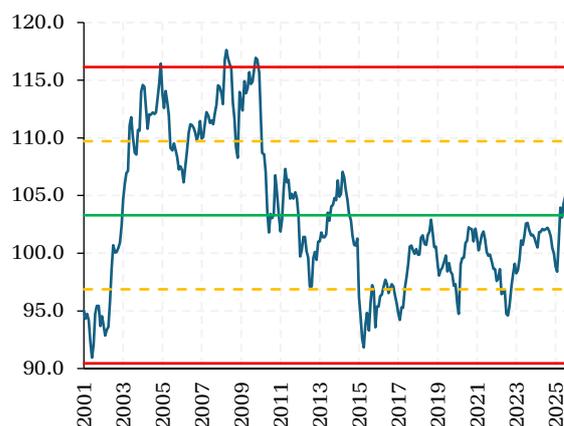
Exhibit 21: US Dollar REER Z-score



Sources. MAM Research, Bloomberg.

We remain cautiously constructive on the euro, though it is no longer cheap. On a valuation basis, EUR screens slightly above fair value (**Exhibit 22**). Support for the Euro should come from narrowing rate differentials as the Fed easing cycle continues while the ECB stays on hold. Net, we see scope for modest EUR strength in early 2026, but limited upside beyond 1.20 for now.

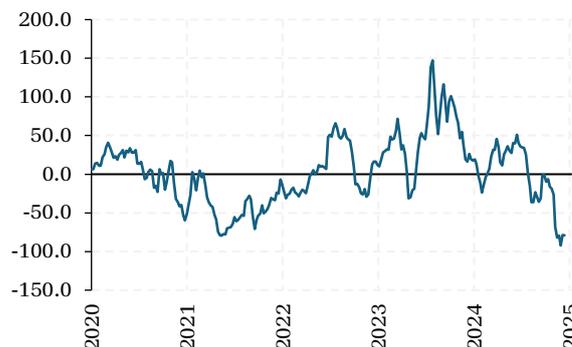
Exhibit 22: Euro REER Z-score



Sources. MAM Research, Bloomberg.

We recommend owning GBP as a high-conviction expression of the view U.S. growth expectations are too high. In a modest slowdown, the policy and curve response should be USD-negative: the Fed already cut rates to 3.75% while the BoE remains at 4.00%. Carry is improving in GBP's favor, with U.K. 10Y gilts around 4.5% vs. 4.2% on U.S. Treasuries. Positioning adds asymmetry: speculators remain net short (near decade-lows), leaving scope for a squeeze if USD weakens further (**Exhibit 23**).

Exhibit 23: CFTC GBP Speculative Net Positions ('000)



Sources. MAM Research, Bloomberg.

AUD near-term backdrop has improved as markets price a more hawkish RBA path, supporting the currency. AUD is approaching long-run fair value and technicals are constructive, with the pair near a break of its multi-year downtrend. NOK remains cheap (1.7 SD undervalued) and offers upside if oil

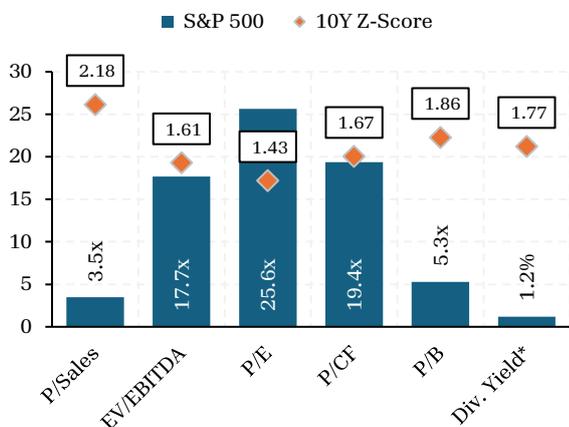
holds firm. Together, AUD and NOK offer higher-beta exposure to the cyclical/commodity complex, with valuations that remain supportive.

Equities | Neutral

We remain underweight U.S., overweight Europe and EM. It is less a call on a near-term drawdown and more an allocation choice: U.S. large caps start 2026 from rich valuations and high concentration, while Europe/EM offer better starting points and additional upside to any improvement in breadth.

Multiple expansion and earnings growth pushed global equities higher in 2025. Policy uncertainty stymied broadening and guidance was muted. But from here, bonus depreciation should pull forward capex, corporate guidance is two to one bullish, and sentiment is not yet euphoric. Liquidity is full blast, but the direction of travel is likely less and not more (less buybacks, more capex, less central bank cuts, and a Fed cutting only if growth is weak). Breadth and lofty multiples rhyme with 1999-2000 (Exhibit 24), but recommended stock allocations are lower, IPOs smaller, and stock speculation less extreme. With momentum still relatively intact, a neutral stance on US equities remains adequate.

Exhibit 24: S&P 500 Valuations

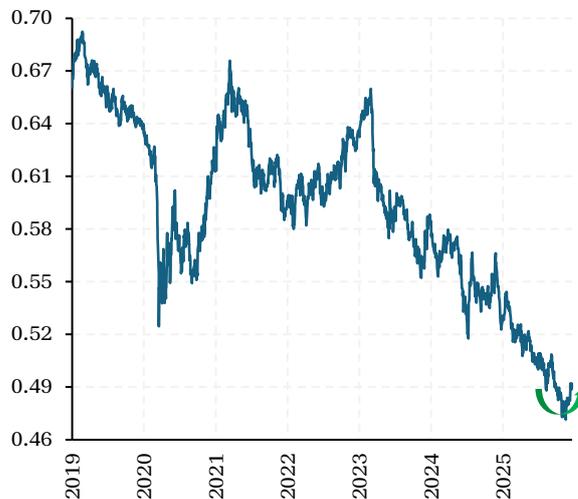


Sources. MAM Research, Bloomberg. *Z-Score Inverted

As a way to express a late-cycle broadening rally in equities as the Fed becomes more accommodative and fiscal support persists, mid-caps stand out as a compelling factor-exposure after years of relative underperformance (Exhibit 25). Mid-caps sit in the sweet spot: domestically geared (lower FX noise, less offshore revenue than S&P 500 equities), more cyclical than mega caps but typically higher quality than small caps (better profitability, balance sheet discipline). That makes them a natural beneficiary of the macro setup we laid out (trend-like growth,

easing inflation pressure, rate cut cycle maturing, but still supportive at the margin) while providing diversification away from extreme concentration in a handful of U.S. mega cap names.

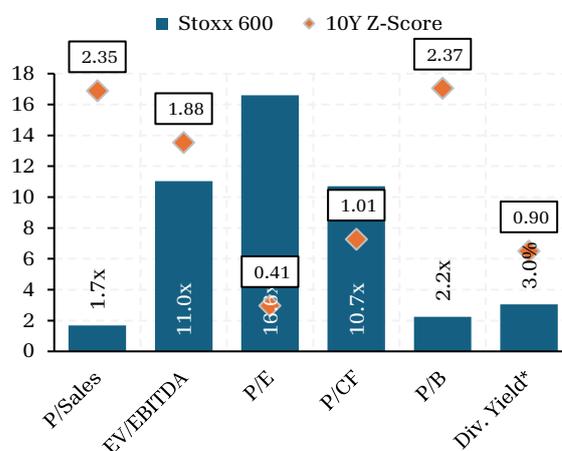
Exhibit 25: US Mid vs. Large Caps



Sources. MAM Research, Bloomberg

After Eurozone earnings recording another down year, the backdrop is improving, heading into 2026. Headwinds from either tariffs and French political uncertainty have been mostly worked through and are now largely behind. On the other end, German fiscal stimulus is set to ramp up, a Russia-Ukraine ceasefire could become more probable again, and Eurozone credit impulse are positive. The region also stands to benefit from improvements in China. Investors remain skeptical over E.U. prospects but we view this as a positive starting point: cautious expectations and relatively low evaluations with scope for upside surprise (Exhibit 26).

Exhibit 26: Euro Stoxx 600 Valuations

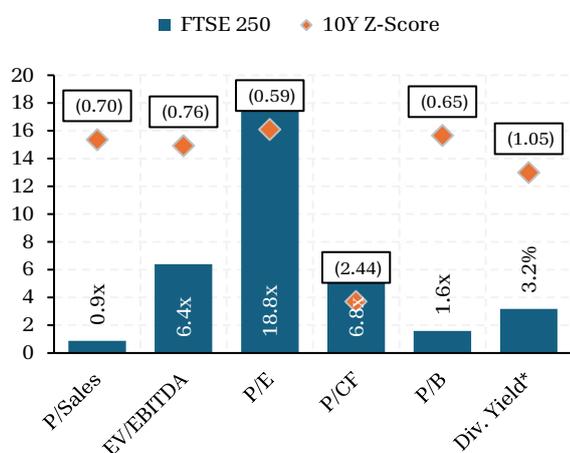


Sources. MAM Research, Bloomberg. *Z-Score Inverted

To keep our European overweight while improving the quality of our expression on the theme, we are adding an allocation to MSCI Europe Small Cap alongside our Stoxx 600 exposure. The Stoxx 600 provides broad, liquid beta to Europe’s large and mid-sized equities, including global earners and defensives, which helps anchor the allocation if the recovery is still uneven. The small-cap sleeve increases sensitivity to a domestic upturn (small caps are typically more rate-/credit-sensitive, and more exposed to improving local demand) so they would benefit disproportionately if ECB easing and fiscal support translate into a firmer activity and better breadth. In combination, the position keeps the overall Europe overweight intact while tilting the equity mix toward broader participation rather than relying solely on large-cap leadership.

Regionally, we like U.K. equities from a European strategy perspective. The rising level of attractive, bottom-up drivers, growing interest from investors from relatively low levels throughout this year, the added benefit of low valuations (**Exhibit 27**), and low beta to the broader as we approach a risky part of the cycle make them a compelling region to own.

Exhibit 27: FTSE 250 Valuations



Sources. MAM Research, Bloomberg. *Z-Score Inverted

After years of underperformance (**Exhibit 28**) vs. global equities, EM still trades at a meaningful discount to DM while offering structurally higher nominal growth and, in many markets, improving balance sheets and governance. The macro setup is supportive on the margin with a mature Fed easing cycle and softer USD risk premium typically reducing the external financing constraint for EM, while any stabilization in global manufacturing and trade helps the more cyclical EM complex. Further, the opportunity set inside EM is broad (countries with credible disinflation, positive real rates, and

bettering current accounts can compound returns even if the global backdrop is only *ok*). The trade-off is straightforward. EM is exposed to episodic risk-off and idiosyncratic policy shocks, but from today’s starting point of low expectations and valuations, the risk-reward is compelling.

Exhibit 28: EM vs. Global Equities



Sources. MAM Research, Bloomberg

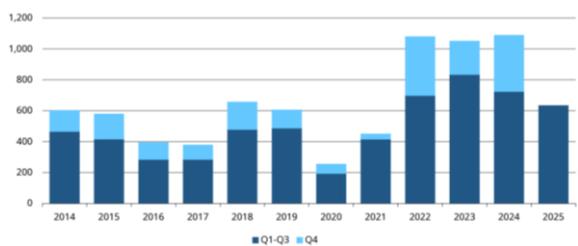
Sector-wise, we are cautiously optimistic on Tech. Valuations remain demanding in parts due to U.S. mega-caps, but the underlying thematic (AI-driven capex, software diffusion, and productivity upside) remains intact. The stance is selective rather than broad: we prefer exposure benefiting from a next leg of adoption and broader contribution rather than paying any price for most crowded winners. Our attention is also shifting toward Chinese tech, where valuations are less extended and sentiment is still cautious, creating more scope for re-rating if policy and growth stabilize.

Commodities | Bullish Agriculture

Our 2026 commodities stance is constructive but intentionally barbelled: neutral precious metals and energy, bullish agriculture, and underweight cyclical industrial metals. The setup remains late-cycle (policy and fiscal uncertainty keep tail risks high), we favor ones benefiting from convexity or supply-driven dynamics (precious metals, agri., selective energy) and cautious growth-sensitive cyclicals looking asymmetric after a strong 2025.

On precious, the case is increasingly structural. Gold demand in 3Q25 rose to 1,313t, driven by a re-acceleration in investor buying along still-elevated central-bank purchases, consistent with a reserve diversification rather than tactical price chasing (**Exhibit 29**). That said, performance is extended (gold +65% YTD; silver +138% in USD). We remain structurally constructive but await a pullback to add and see better near-term value elsewhere.

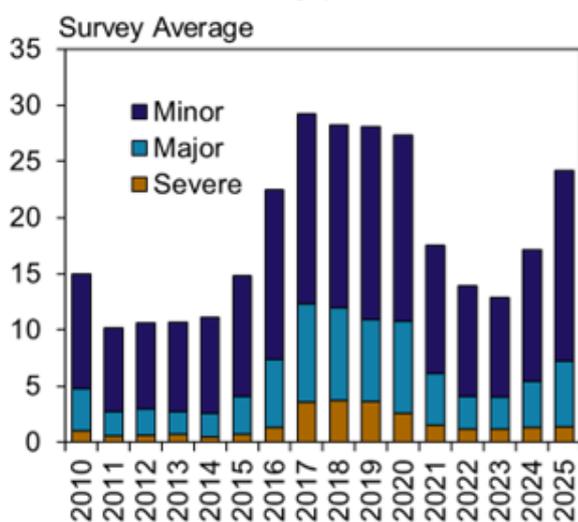
Exhibit 29: Annual Central Bank Gold Demand (t)



Sources. MAM Research, World Gold Council

Agriculture is our preferred cyclical exposure with supply exposed to shocks. The last USDA WASDE report showed tighter corn fundamentals: exports up to 3.2bn bushels, ending stocks down to ~2.0bn, and global stocks down to ~279.2m tones. The farm economy is absorbing the squeeze with low policy relief (surveys from regional Feds point to weaker income, softer loan repayment, more renewals and extensions, tighter credit conditions) (Exhibit 30), while officials show little incremental support past a USD 12bn package. That margin compression is key as it lowers supply responsiveness: when cash flow is tight, farms protect their working capital by cutting discretionary spend (i.e., capex), which can translate into a slower supply response over time. Weather adds near-term convexity: NOAA’s ENSO update still leans toward La Niña into early 2026 before trending to neutral in Jan–Mar, overlapping with key South American growing phases. Brazil provides additional volatility with the agribusiness delinquencies at 5.3% in 3Q and Conab trimming its 2025-26 soybean outlook per irregular rainfall and replanting (keeping supply-tail risk elevated).

Exhibit 30: Farm Loan Repayment Problems

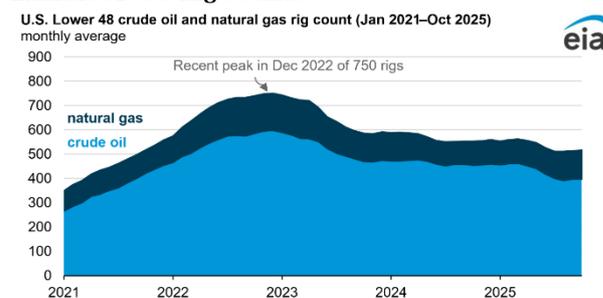


Sources. MAM Research, Kansas City Fed

Energy is where we remain modestly bullish as a contrarian position, largely because the market

narrative is surplus-heavy and increasingly priced. While balances point to oversupply, our view is for price to become the stabilizer via supply response. EIA’s latest STEO implies U.S. crude production averaging ~13.5mb/d in 2026 (100kb/d below 2025) potentially the first YoY decline since the pandemic thus suggesting the “shale always grows” reflex is weakening at current economics. Activity supports that: oil-directed rig counts are down ~33% from the Dec-22 peak (Exhibit 31), making the marginal barrel more sensitive to price/capital discipline. Positioning adds convexity, with managed money net short WTI. Geopolitics are a persistent right-tail risk, with even modest disruptions triggering outsized moves. Near term, the political incentives likely cap upside into mid-terms, but we see higher upside volatility in 2H26. Net, energy acts as a hedge to our more cautious macro view, expressed via Harbour Energy.

Exhibit 31: US Rig Counts



Sources. MAM Research, EIA

We remain underweight industrials on risk-reward grounds, without disputing their long-term energy-transition story. Copper illustrates the asymmetry: prices are up ~35% in 2025, supported by AI-linked grid investment but recent tightness was amplified by policy and tariff-driven flow distortions. The U.S. now absorbs a dominant share of inventories (Comex ~61%), tactically supportive but fragile. Against it, near-term, the demand picture remains soft (China’s manufacturing cycle is still weak and steel output is trending toward multi-year lows) supporting a defensive stance.

Implementation-wise, increasing exposure to Broad Commodities ETF (BCI) fits our barbelled commodities framework. The ETF is diversified while tilted towards our favored buckets (agriculture (28%), energy (26%), precious metals (25%)) making this an efficient vehicle to express our 2026 view. We begin the year with a 3.0% allocation to BCI US, intending to rotate into a more targeted agriculture position during 1Q26.

Appendices

Appendix 1 – US 2Y Yields



Source. MAM Research, Bloomberg.

Appendix 2 – US 10Y Yields



Source. MAM Research, Bloomberg.

Appendix 3 – US 10-2 Yields Spread



Source. MAM Research, Bloomberg.

Appendix 4 – German 2Y Yields



Source. MAM Research, Bloomberg.

Appendix 5 – German 10Y Yields



Source. MAM Research, Bloomberg.

Appendix 6 – USD Dollar



Source. MAM Research, Bloomberg.

Appendix 7 – EUR vs. USD



Source. MAM Research, Bloomberg.

Appendix 8 – GBP vs. EUR



Source. MAM Research, Bloomberg.

Appendix 9 – AUD vs. USD



Source. MAM Research, Bloomberg.

Appendix 10 – NOK vs. EUR



Source. MAM Research, Bloomberg.

Appendix 11 – MSCI World



Source. MAM Research, Bloomberg.

Appendix 12 – S&P 500 (Large-Cap Proxy)



Source. MAM Research, Bloomberg.

Appendix 13 – S&P 400 (Mid-Cap Proxy)



Source. MAM Research, Bloomberg.

Appendix 14 – Russell 2000 (Small-Cap Proxy)



Source. MAM Research, Bloomberg.

Appendix 15 – EuroStoxx 600



Source. MAM Research, Bloomberg.

Appendix 16 – MSCI Emerging Markets



Source. MAM Research, Bloomberg.

Appendix 17 – Broad Commodity Index



Source. MAM Research, Bloomberg.

Appendix 18 – Gold (USD Terms)



Source. MAM Research, Bloomberg.

Appendix 19 – Silver (USD Terms)



Source. MAM Research, Bloomberg.

Appendix 20 – Platinum (USD Terms)



Source. MAM Research, Bloomberg.

Appendix 21 – WTI Crude Oil (USD Terms)



Source. MAM Research, Bloomberg.

Appendix 22 – Sub-Agriculture Commodity Index



Source. MAM Research, Bloomberg.

Disclaimer

This document has been prepared by Monaco Asset Management (MAM). It gives a general overview of the strategies proposed by MAM.

This document is confidential and is intended solely for the recipient and may not be duplicated, distributed or published either in electronic or any other form without the prior written consent of MAM.

This document has not been reviewed or approved by any regulatory authority. It is not a personal recommendation. It is for your information only and is not intended as an offer, solicitation of an offer, public advertisement or recommendation to buy or sell any investment or other specific product. Its content has been prepared by our staff and is based on sources of information we consider to be reliable. However, we cannot provide any undertaking or guarantee as to it being correct, complete and up to date. The circumstances and principles to which the information contained in this publication relates may change at any time. Once published, therefore, information shall not be understood as implying that no change has taken place since its publication or that is still up to date. Furthermore, MAM is not under obligation to update the information contained in this document.

The information in this document does not constitute an aid for decision-making in relation to financial, legal, tax or other consulting matters, nor should any investment or other decision be made on the basis of this information alone. All recipients of this document are urged to carry out their own due diligence into any investment opportunity. They should form their own assessment and take independent professional advice on the merits of investment and the legal, regulatory, tax and investment consequences and risks of so doing.

We do not guarantee the accuracy or completeness of information which is contained in this document that may have been obtained from or is based upon trade and statistical services or other third-party sources.

We disclaim without qualification all liability for any loss or damage of any kind, whether direct or indirect, which may be incurred through the use of this publication.

The above information concerns this document and any associated documentation, including the e-mail or cover letter.

MAM is registered with the Monaco Chamber of Commerce and Industry under the number 99S03612 and is approved by the Commission for the Control of Financial Activities under number SAF/99-03.