

January 2026

What We Expected A Year Ago

On the economy:

'We expect slower but solid US growth. Tax cuts and deregulation may further boost the US economy.'

Growth of core Europe will largely depend on Germany's fiscal flexibility, as peripheral Europe should continue to outperform. We expect growth, in general, to improve on lower interest rates, while tariff threats are a headwind.'

That view has been largely correct.

Central banks:

'ECB: is likely to accelerate rate cuts as it is behind the curve, with an eventual terminal rate of 1% by early 2026.'

The SNB is likely to cut rates to zero by the summer of 2025.

The US Federal Reserve should cut rates by a further 1% in 2025.'

Partially correct. Growth stabilized, the ECB cut rates but only to 2%, which is also now the expected terminal rate. The US Federal Reserve cut rates by 75 bps, more or less in line with our expectations, and in June the SNB cut rates to zero.

Financial markets:

'US Equity markets should rise more modestly in 2025, as high valuations and positioning will limit the upside. Some of the Magnificent 7 could start to be a drag on the index. The next move in our equity allocation will probably be to move underweight the US mega caps in favour once again of the wider US market: we doubt they will grow once again by close to 50% as a group in 2025. A major risk could be fading AI spending by corporates.'

Largely correct. On AI spending though, commitments and/or intentions saw a massive increase instead.

Gold:

'Gold should continue to see buying from central banks and asset managers diversifying their portfolios.'

Largely correct. What we didn't anticipate was 'fast money', (Hedge funds, CTAs etc.), entering the precious metals' asset class in late summer, sparking a sudden acceleration in the upward move.

In terms of portfolio allocations:

'For the average risk-averse investor the composition should be different depending on the reference currency: more balanced for a USD-based portfolio, more dynamic for a Euro one, and even more equity oriented for a CHF-based investor'

That was the correct approach: the USD bond benchmark returned over 7% in 2025, thus adding value to a balanced portfolio, the EUR one just over 1%, while the CHF bond benchmark returned zero. In terms of currency exposure, we started the year with a limited 5% USD exposure for non-USD portfolios, as well as an allocation of 5% to Gold.

The Year That Wasn't

Many investors at the beginning of the year were concerned about inflation, high interest rates and the possibility of recession: the worst fears did not materialise, at all. And the bear market across asset classes many feared never arrived.

Many tagged the Chinese market as un-investable, while they saw US exceptionalism continue, and thus kept their overweights in the Mega Caps.



The Year That Was

Instead, the macroeconomic environment of 2025 showed greater resilience across both developed and emerging markets than many anticipated.

In equities, we saw a slow loss of US exceptionalism, with leadership gradually broadening beyond the Mega-Cap technology complex, even as AI remained the dominant equity story.

Geopolitical and macroeconomic issues have created instability and uncertainty, including the conflicts in Ukraine and Gaza, political upheaval, trade and tariff issues, inflation and lower interest rates in many countries. At the same time, global economic growth has been resilient, with markets ending the year at record highs.

Artificial intelligence continues to be the most important headline issue affecting companies and markets.

In Europe, fiscal stimulus and defence rearmament, coupled with steady policy rates and inflation trends, have led to renewed corporate confidence, creating a much more constructive backdrop. In terms of economic growth, Europe narrowed the growth gap.

One year ago, conversations focused on American economic exceptionalism. Yet, as the year unfolded, Europe began to close the gap. Estimates for the Euro area and U.S. growth for 2025 now stand at 1.4% and 2.1% respectively, significantly closing on the 2%-gap that existed between the two in 2024. Looking further ahead, Germany is expected to lead the rebound in the Euro area with 1.1% growth in 2026, after only 0.3% in 2025 and a 0.5% contraction in 2024. The turning point came earlier in March, when Germany's new government under Chancellor Merz approved a 500 billion EUR, 12-year fiscal investment programme, exempting defence and security spending from its constitutional debt brake. An historic shift.

But let's look at a short summary of what marked the year:

- January: the DeepSeek moment. (For more details we refer our readers to our February 2025 monthly edition). DeepSeek's emergence is a timely symbol of China's ambition to claim a leadership role in the technology revolution. It is a national pride, at a time of renewed na-

tionalism. In the meantime, several new models have surfaced and are operational: for example, Qwen from Alibaba which is effectively getting integrated into its online shopping services. Fast forward to date, DeepSeek and Qwen account for 30% of all AI downloads globally (US are below 16%).

- April: 'Tariffs Liberation Day', the re-introduction of broad-based US trade tariffs, the highest since 1934, led to uncertainty and market volatility. Equity markets fell 12% in a week before swiftly recovering after the White House 'partially' suspended them.
- Summer: The French budget crisis, (again).
- August: 'fast money' moves into the gold market, amplifying volatility and upward price moves.
- Early October: the crypto crash. Just when everybody was speaking about currency debasing away from the USD, Bitcoin fell double-digit from its all-time high in a single day, while secondary cryptos fell by a multiple of that.
- Late October: concerns on the indebtedness of some hyper-spenders on AI data centres, such as Oracle, increases: its credit spreads move from 0.4% to 1.5%.
- November: 'fast money' moves into less liquid precious metals such as silver and platinum. Intraday volatility explodes, and prices surge. Silver 1-month volatility surges above 60%.
- DRAM: the new gold? Memory prices have surged dramatically in recent months, with manufacturers including Kingston, Micron, and Samsung raising prices by an average of 63 percent between September and December 2025 for the most common capacities. AI data centres are gobbling up production. In 2026, there won't be enough memory to meet worldwide demand because powerful AI chips made by the likes of Nvidia, AMD and Google need so much of it. The price shock at the component level has just begun working its way through the technology supply chain. Expect price increases for smartphones or laptops.
- 'Permacrisis': Trump's attacks to the central bank's independence and chaos sowing narrative across government, media, domestic and international relations, and of course global trade. Volatility is the 'new normal'.



Financial Markets

Equities

2025 has been a year of exceptional performance, driven by accommodative financial conditions and the accelerating influence of AI.

Equity markets posted strong gains: the MSCI World hedged to EUR rose almost 17%. But leadership shifted beyond the US as investors embraced global diversification. Emerging Market equities surged 33%, while the Eurozone benchmark, (MSCI Eurozone), finished 23.3% higher, and outperformed its US peer: the S&P rose 'only' 17.8%.

Our European overexposure has been mainly tilted towards Eurozone cyclicals, industrials, and banks: in this respect our basket of cyclicals and industrials rose over 28%, while banks powered ahead by an incredible 89%.

Japan, (currency hedged), has been another star on our radar: after two great years, it rose by another amazing 27% for the year.

Chinese markets likely shed the "uninvestable" tag in 2025. Our basket of Asian technology companies, which includes EVs producers and has 62% exposure to China, rose a remarkable 36%. Chinese technology offers asymmetric upside at compressed valuations with 2 trillion USD in policy-mandated spending.

As we hinted back one year ago, 2025 could be the end of the Magnificent 7 concept. In fact, throughout the year the Magnificent 7 became Magnificent 2. On the back of the AI theme, the Magnificent 7, (market cap weighted), rose 22%, so higher than the main index, the S&P 500, but only because they were pulled higher by Alphabet (+65%) and Nvidia (+39%). The other five names were a drag on the index.

Fixed Income

In Fixed income, the bond markets in Europe and the US took a different path, as highlighted and expected in our January 2025 view.

In the Eurozone cash (money market) even outperformed the European Aggregate benchmark, (which returned slightly over 1%), the Swiss benchmark performance was zero. The US Aggregate benchmark returned over 7% and thus did provide some alternative to equities.

In Swiss Francs and Euro corporate credit widely outperformed government.

Gold

The year 2025 was marked by a historic surge in precious metals. Gold reached all-time highs, delivering an incredible 66% return, while silver, platinum and palladium also recorded spectacular gains.

The extraordinary surge is a symptom of increased nervousness in the markets, with the war in Ukraine, Sino-American trade tensions, the high valuations of the US stock market and the desire to diversify away from the historic concentration of US and thus global indices.

The dominance of the greenback has been increasingly challenged, especially in emerging countries, since the freezing of the Russian central bank assets following the war in Ukraine.

Because it carries no counterparty risk, is no one's debt, and cannot be seized, gold is a strategic asset. In that perspective it is likely that gold benefits from some effects of currency debasement.

That was our assessment back in 2022, when we increased it to our strategic weight of 5%, and we have been since joined by an increasing number of asset allocators and portfolio managers, who are choosing to add gold to their portfolios to hedge against possible shocks.

Crypto

Unlike gold, and despite the debate about currency debasement and how they should benefit from it, Cryptocurrencies never really recovered from the Autumn flash crash and the ensuing liquidations. Bitcoin fell over 6% for the year, while Ethereum fell 11% and the Solana fell more than 35%.



2026 Outlook

Affordability

That word is now omnipresent in the media. Trump has long described it as a 'democratic hoax' until he was convinced to embrace it.

His denialism has recently transitioned into a raft of policy announcements, that try to address the cost of 'high frequency' items for the lower and middle class, such as food, electricity, housing, credit card rates, medicine and gasoline.

What Trump could do to support the lower incomes and try to save the midterm elections.

- **Tariffs**

The most obvious policy lever would be tariff reductions. However, that is now unlikely: tariffs have now moved from being not only a trade weapon but also a geo-political one.

- **A new fiscal package**

Congressional Republicans could pass another fiscal package to provide additional stimulus, but the hurdles to doing so are high. Trump has proposed 2000 USD per person as a tariff rebate, but has so far not gained traction among Republicans, given the fiscal concerns many are now having. The extension of healthcare subsidies could also be part of a second package. Both measures risk alienating a considerable number of 'deficit hawks' who are already on the edge with previous measures taken by the president.

- **Japan style**

The administration, with soon a maybe 'friendlier' central bank could decide to go the 'Japanese way'.

The Federal Reserve could introduce Yield Curve Control and/or a massive Quantitative Easing: the aim would be to lower permanently long term rates, and thus mortgages, while at the same time reduce the Federal outlays in interest rates tied to the massive, and increasing debt the US currently faces: the figure for 2025 has not been published yet, but in 2024 yearly interest amounted to 3% of GDP.

The new fiscal package could be taken negatively by both the bond as well the currency market. The second option, with long-term rates becoming artificially anchored lower, most of the reaction would likely translate into a much weaker currency. US equities could get caught up in the turmoil.

AI's next chapter

No newsletter in 2025 would be complete without a mention of Artificial Intelligence, which has been a striking feature of the year, as well as the pressing question as to whether we find ourselves in an AI bubble. There is no doubt about the S&P 500 concentration: the top ten US stocks account for nearly 20% of global equity market capitalisation and 43% of the S&P 500 index, with the biggest five technology companies now exceeding the combined market capitalization of the Eurostoxx 50, the UK, India, Japan, and Canada.

2026 will see the AI race between the US and China unfold further. Europe may have to play catch up and focus on building a competitive regulatory landscape that supports innovation, and companies such as Mistral, (Who said La French Tech was dead?). While the talent acquisition war is raging in the Silicon Valley, with hundreds of millions of USD signup bonuses, researchers are fleeing the US and pouring their intellectual firepower into European companies and universities. Demand for data centre connections to the European power grid is booming. This is likely a prelude to a substantial build-out, which should provide a major tailwind to power consumption.

Artificial Intelligence has moved from an asset-light software phase to a capital-intensive infrastructure phase.

Is there overinvestment in the AI space? We believe that forecasts are likely either too pessimistic or overly optimistic.

We think that economic reality will prevail, many of the benefits from using it are already clear.

We are likely only at the beginning of this process. The world does not have the computing capacity, the infrastructure and the energy, or the applications to fully realise its potential.



Similarly to other emerging technologies in the past, large-scale adoption however will take a longer time. In 2026 the keyword is likely to be 'monetization', or a way forward to it.

Similarly to the internet bubble 25 years ago, we believe there are businesses with expectations that are likely to be unsustainable and valuations that are equally unrealistic. There are businesses that might never achieve profitability. There are businesses that are likely to strive.

2026 could be the year when one of the larger AI models is able to IPO, (currently the closest seems to be Anthropic). That could have vast consequences for the valuations of both private and public companies. In the private market, next to the largest, OpenAI, dozens of very large unicorns* have emerged and their extremely high valuations could be challenged.

*Unicorns are companies valued at more than 1 billion USD. In the private space some of these companies have become so large that they are called 'hectocorns', or companies valued at more than 100 billion USD, (amongst them OpenAI, SpaceX, China's ByteDance, Databricks or Anthropic).

The Economy

Fiscal policy in the G3, United States, Japan and Germany will be very expansionary over the first two quarters.

Taken together, AI's infrastructure build out, Europe's competitiveness, infrastructure and defence agenda, along with a steadier policy backdrop set a constructive foundation for 2026.

Further monetary easing is expected in the United States, the extent of it is likely to be determined by the composition of the FOMC, not only its chairman. In Europe the ECB and the SNB are probably done, while the Bank of England has likely more scope to ease.

Japan will be the outlier and is expected to hike at least twice this year.

In China further easing in monetary conditions along with moderate banks' Reserve Requirement Ratios, mortgage rates and policy rates cuts are expected.

Financial Markets Outlook

We remain modestly pro-risk into 2026 given a friendly baseline of global growth, further declines in inflation.

We expect reduced tailwinds from monetary policy, with fiscal policy and regulatory easing taking over.

AI tailwinds are likely to shift from capex to adoption.

2026 will be the year where AI remains the defining equity theme, but the "buy anything smells AI" phase is likely over.

2026 is more likely to be the year where AI moves from hype to accountability: balance sheets, cash flow and valuations will matter again.

A defining moment could be if, and when, a major AI company, (currently Anthropic seems the most advanced in that respect), becomes public: a massive repricing of the thematic could ensue.

Geographical and sector rotation is likely to continue as equity leadership is broadening, while at the same time earnings growth has been expanding beyond the narrow group of well-known Mega-Cap tech names.



Strategy

We prefer equity to credit, as credit total returns are already constrained by tight credit spreads and there is less rates relief, while equities can still deliver attractive returns driven by earnings growth and potential valuation expansion, particularly in Europe.

We keep an overweight to Eurozone and Asian equities, while underweighting US ones.

Last year one of our most important asset allocations decisions, during the early stage of the 'Liberation Day' turmoil back in April, has been on one hand to add to equities, but most importantly to reduce to zero our allocation to the USD, while adding EUR to USD-referenced portfolios.

We start the year keeping this allocation, while continuing to manage our gold position around the 5% strategic allocation.

The key dates in 2026, courtesy of Mr. Trump and his policies, will all be about the US or in the US:

- Change in Chairmanship and maybe of FOMC composition of Federal Reserve in May
- America's 250th birthday in July
- The football world cup, (June-July)
- The US midterm elections in November

Equity

We are neutral. We keep an overweight in Eurozone and Asian ex Japan equities versus the US ex. Mega Caps.

Fixed income

We continue to favor exposure to credit versus duration. However, we have increased the quality of our holdings. We have exposure to investment grade credit, European high yield, hybrids, financials' subordinated debt.

Foreign Exchange

The US Dollar and the Japanese YEN exposure is entirely hedged.

Gold

We keep our allocation to Gold.



Positioning

Overall Exposure

We are now Neutral Equities, and Neutral Fixed Income, with a Gold position, JPY and US Dollars hedged.

Equity: Neutral

We have an Overweight to the Eurozone and an Underweight in US equities, Underweight US technology, Overweight Nasdaq 100 equal weight, Overweight S&P 500 equal weight, Neutral UK, Neutral Japan, Overweight Asia ex Japan.

Thematic Equities

European Family Holdings, Asian Technology, European Champions.

Fixed Income: Neutral

Long 1 to 3 years US Treasury Notes. Long 20+ years US Treasuries, Underweight Sovereigns. Overweight Investment Grade EUR and USD Bonds. Overweight High Yield in EUR and Underweight in USD. Long US inflation linker.

Thematic Fixed Income

Long Hybrids, Long Subordinated Financial Credit, Long subordinated European insurance bonds.

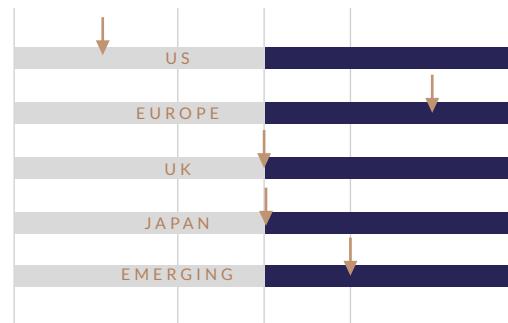
Currencies: Non USD-referenced portfolios are fully hedged against USD and YEN. USD-referenced portfolios are long EUR.

Commodities: Overweight

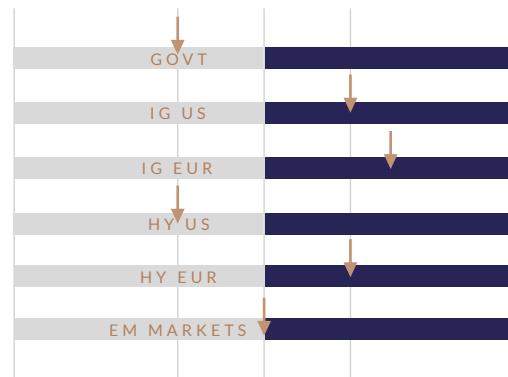
Long Gold.

Conviction thermometer

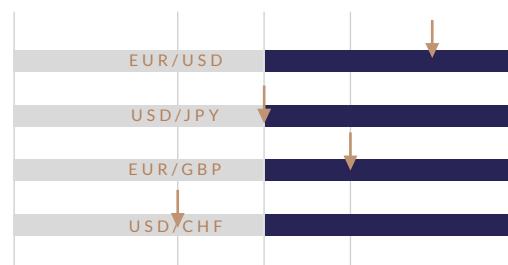
Equities



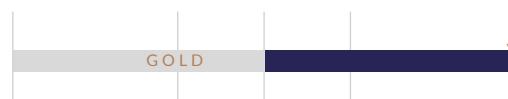
Bonds



Currencies



Commodities



Negative view

Positive view



Market overview as of 31st December 2025

Equities (local ccies)	Level	5D	MTD	YTD
MSCI WORLD HEDGED EUR	487,03	-0,12%	0,97%	17,40%
US S&P500	6 896,24	-0,18%	0,79%	18,72%
MAGNIFICENT 7 (CAP WEIGHT.)	208,79	-0,54%	0,86%	23,70%
NASDAQ 100	25 462,56	-0,49%	0,16%	22,04%
EUROPE EURO STOXX 50	5 796,22	0,82%	2,29%	22,19%
GERMANY DAX	24 490,41	0,62%	2,74%	23,01%
FRANCE CAC40	8 168,15	0,79%	0,67%	14,43%
BELGIUM BEL20	5 077,71	0,40%	1,00%	22,79%
SWISS MARKET INDEX	13 267,48	0,19%	3,38%	18,04%
UK FTSE100	9 940,71	0,58%	2,36%	25,86%
RUSSELL 2000	2 500,59	-1,58%	0,12%	13,59%
JAPAN TOPIX	3 408,97	-0,30%	1,02%	25,46%
MSCI EMERGING	1 403	1,13%	2,87%	34,11%
MEXICO MEXBOL	64 366,70	-1,87%	1,83%	35,23%
HONG KONG HANG SENG	25 854,60	0,31%	0,29%	33,65%
CHINA CSI 300	4 651,28	0,68%	2,94%	21,53%
INDIA SENSEX	84 675,08	-0,99%	-1,20%	9,81%
KOREA KOSPI	4 214,17	2,38%	7,36%	78,68%
HANG SENG TECH	5 578,38	1,63%	-0,32%	26,17%
AUSTRALIA ALL-SHARE	5 356,92	0,62%	2,32%	24,09%
US: Sectors	Level	5D	MTD	YTD
COMMUNICATION SVCS	454,22	0,18%	-0,58%	34,10%
CONSUMER DISCRETIONARY	1 943,90	-1,43%	1,59%	6,90%
CONSUMER STAPLES	869,70	0,78%	-1,06%	4,45%
ENERGY	690,92	1,08%	0,72%	9,24%
FINANCIALS	918,63	0,46%	3,85%	15,84%
HEALTH CARE	1 816,11	0,40%	-0,81%	15,24%
INDUSTRIALS	1 324,68	0,37%	2,12%	20,30%
INFORMATION TECHNOLOGY	5 732,86	-0,29%	0,60%	25,11%
MATERIALS	579,49	0,17%	3,11%	11,49%
REAL ESTATE	257,60	1,27%	-1,30%	4,08%
UTILITIES	436,53	0,81%	-4,53%	16,76%
EUROPE: Sectors	Level	5D	MTD	YTD
BASIC MATERIALS	2 949,17	1,39%	4,27%	10,89%
CONSUMER GOODS	3 886,36	0,82%	-0,83%	7,11%
CONSUMER SERVICES	1 528,70	1,05%	1,98%	1,91%
FINANCIALS	1 558,75	0,60%	6,87%	49,59%
HEALTH CARE	3 829,13	-0,12%	1,32%	8,03%
INDUSTRIALS	5 072,82	0,43%	3,19%	24,20%
OIL & GAS	1 668,90	0,99%	-0,25%	24,06%
TECHNOLOGY	2 062,07	1,11%	1,09%	8,18%
TELECOMS	667,38	1,20%	1,80%	13,65%
UTILITIES	2 628,12	1,14%	1,19%	37,84%



Market overview as of 31st December 2025

Fixed Income	Level	5D	MTD	YTD
Pan-Euro 3-5 yrs IG	219,27	0,16%	-0,05%	2,95%
Euro Aggregate	246,80	0,14%	-0,50%	1,25%
Pan-Euro HY Hedged Eur	477,31	0,11%	-0,37%	5,25%
Global Inflation hedged EUR	238,82	0,19%	-0,46%	2,49%
US Corp High Yield	2 914,22	0,23%	-0,56%	8,61%
EM USD Aggregate TR	1 387,18	0,18%	-0,45%	11,14%
EM Aggregate TR Local Ccy	162,56	0,57%	-1,20%	9,25%
EUR Banks CoCo Tier 1	174,79	0,12%	-0,70%	9,29%
EU GOVT HEDGED EUR	215,90	0,14%	-0,50%	1,08%
Global Aggregate Hedged EUR	219,80	0,16%	-0,36%	2,71%

Commodities	Level	5D	MTD	YTD
GOLD	156,41	4,29%	-5,91%	61,53%
COPPER	0,79	3,40%	-1,90%	28,78%
OIL WTI	0,67	0,84%	-3,98%	-18,36%
OIL BRENT	0,93	1,02%	-2,87%	-15,33%

Currencies	Rate	5D	MTD	YTD
EURUSD	1,1598	0,74%	0,53%	12,01%
GBPUUSD	1,3235	1,04%	0,63%	5,74%
USDJPY	156,1800	-0,15%	1,42%	-0,65%
USDCHF	0,8040	-0,53%	-0,07%	-11,40%
AUDUSD	0,6550	1,47%	0,08%	5,85%
EURCHF	0,9322	0,14%	0,42%	-0,84%
USDCNY	7,0745	-0,43%	-0,63%	-3,08%
USDKRW	1 471,95	1,64%	2,61%	-7,55%
USDBRL	6,1774	1,76%	3,45%	20,18%
USDTRY	42,4900	0,12%	1,02%	-2,99%
BITCOIN	90 914,64	6,80%	-16,92%	



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