Market **Update**

The Survival of the Diversified

February 2026

Editorial

From the surprise capture of President Maduro in Venezuela to President Trump's nomination of Kevin Warsh for Fed Chair, geopolitical shockwaves and policy pivots kept investors on edge. Gold briefly kissed USD 5'600 before plunging more than 20% at the end of the month. Bond markets saw their strongest inflows in a decade. Corporate earnings smashed estimates yet received a collective yawn from traders pricing perfection into already stretched valuations.

Beneath the headlines, a more subtle story is unfolding. The AI revolution is shifting from hype to execution, separating winners from pretenders. Capital is rotating out of crowded US trades and into international markets, fixed income, and real assets. The message from the smart money is clear: in an era of policy whiplash, diversification is no longer optional, it's survival.

We wish you a pleasant and insightful read.

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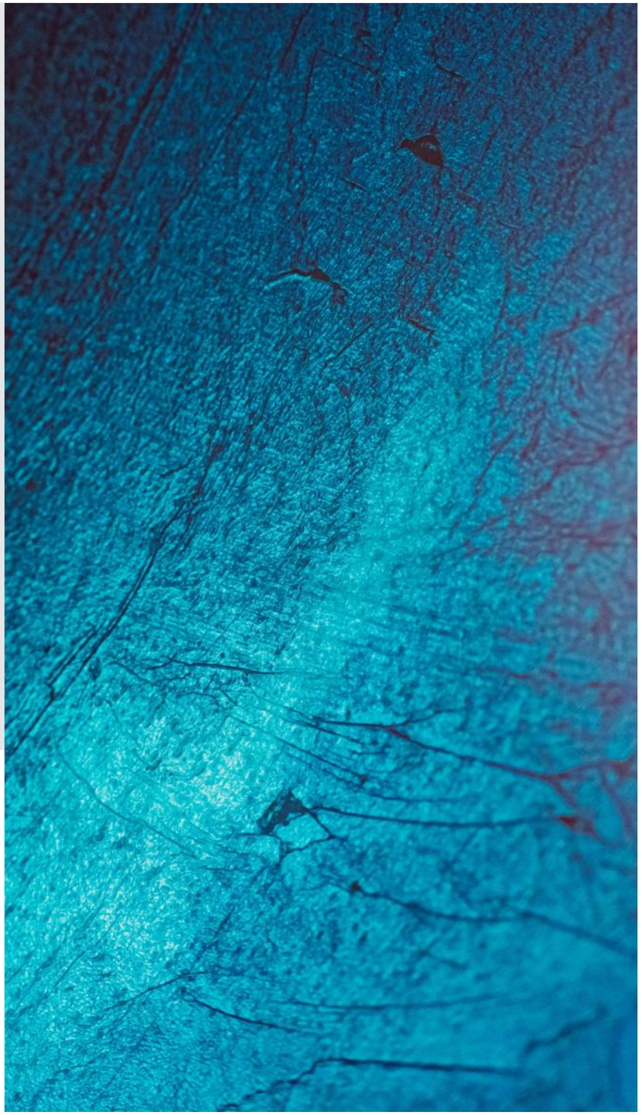


Global **Markets**

Global	Last	YTD	MTD
MSCI World	4,527.6	2.3%	2.3%
MSCI ACWI	1,044.3	3.0%	3.0%
MSCI Emerging Markets	1,528.1	8.9%	8.9%

United States			
Dow Jones Industrial	48,892.5	1.8%	1.8%
S&P 500	6,939.0	1.4%	1.4%
NASDAQ 100	25,552.4	1.2%	1.2%
Russell 2000	2,613.7	5.4%	5.4%

Europe			
Euro STOXX 600	611.0	3.2%	3.2%
Euro STOXX 50	5,947.8	2.8%	2.8%
DAX	24,538.8	0.2%	0.2%
CAC 40	8,126.5	-0.3%	-0.3%
FTSE 100	10,223.5	3.0%	3.0%
Swiss Market Index (SMI)	13,188.3	-0.6%	-0.6%

Sectors (US)			
Communication Services		3.4%	3.4%
Consumer Discretionary		2.1%	2.1%
Consumer Staples		7.6%	7.6%
Energy		13.9%	13.9%
Financials		-2.6%	-2.6%
Health Care		-0.2%	-0.2%
Industrials		7.4%	7.4%
Materials		8.7%	8.7%
Real Estate		2.9%	2.9%
Technology		-1.9%	-1.9%
Utilities		1.3%	1.3%

Commodities & Metals	Last	YTD	MTD
Gold (XAU)	4,894.2	13.3%	13.3%
Silver (XAG)	85.2	18.9%	18.9%
Copper	592.4	4.3%	4.3%

Currencies (USD)			
EUR	1.19	0.9%	0.9%
CHF	0.77	2.5%	2.5%
JPY	154.8	1.3%	1.3%
BTC	84,162	-4.0%	-4.0%

Fixed Income			
US Treasury	2,433	-0.1%	-0.1%
EUR Treasury	249	0.7%	0.7%
Global Aggregate	506	0.9%	0.9%
US Corporate	3,552	0.2%	0.2%
Global EM USD	1,392	0.4%	0.4%
Global High Yield	1,881	1.0%	1.0%

Interest Rates (US)		Last month	End 2024
3 Months	3.65%	3.63%	3.63%
12 Months	3.46%	3.47%	3.47%
5 Year	3.79%	3.73%	3.73%
10 Year	4.24%	4.17%	4.17%

Price / Earnings Ratios		End 2024	End 2023
S&P 500	27.71	26.50	22.76
Euro STOXX 50	18.04	14.30	12.86
Swiss Market Index (SMI)	19.52	19.01	17.56

Data at close of 30/01/2026

Macroeconomic **Indicators**

Central Banks Targets Rates	Last	Q4 2025	Q3 2025	Q2 2025
United States	3.75%	3.75%	4.25%	4.50%
Eurozone	2.15%	2.15%	2.15%	2.15%
Switzerland	0.00%	0.00%	0.00%	0.00%
United Kingdom	3.75%	3.75%	4.00%	4.25%
Canada	2.25%	2.25%	2.50%	2.75%
Japan	0.75%	0.75%	0.50%	0.50%
China (3M SHIBOR)	1.58%	1.60%	1.58%	1.63%

Inflation (CPI - YoY)	Last	Q4 2025	Q3 2025	Q2 2025
United States	2.70%	2.70%	3.00%	2.70%
Eurozone	1.70%	2.00%	2.20%	2.00%
Switzerland	0.10%	0.10%	0.20%	0.10%
United Kingdom	3.40%	3.40%	3.80%	3.60%
Canada	2.40%	2.40%	2.40%	1.90%
Japan	2.10%	2.10%	2.90%	3.30%
China	0.80%	0.80%	-0.30%	0.10%

Unemployment	Last	Q4 2025	Q3 2025	Q2 2025
United States	4.40%	4.40%	4.40%	4.10%
Eurozone	6.20%	6.20%	6.40%	6.40%
Switzerland	3.00%	3.00%	3.00%	2.90%
Canada	6.80%	6.80%	7.10%	6.90%
Japan	2.60%	2.60%	2.60%	2.50%
China	5.10%	5.10%	5.20%	5.00%

Gross Domestic Product (YoY)	Last	Q4 2025	Q3 2025	Q2 2025
United States	2.30%	N/A	2.30%	2.10%
Eurozone	1.60%	N/A	1.60%	1.40%
Switzerland	0.50%	N/A	0.50%	1.30%
Canada	0.60%	N/A	1.10%	1.00%
Japan	4.10%	N/A	4.10%	5.30%
China	4.50%	4.50%	4.80%	5.20%
India (Real GDP)	8.23%	N/A	8.23%	7.81%

Producer Price Index (PPI - YoY)	Last	Q4 2025	Q3 2025	Q2 2025
United States	3.00%	3.00%	3.00%	2.40%
European Union	0.30%	0.30%	0.80%	0.10%
Switzerland	-1.80%	-1.80%	-1.80%	-0.70%
Canada	4.91%	4.91%	5.10%	1.25%
Japan	2.40%	2.40%	2.80%	2.80%
China	-1.90%	-1.90%	-2.30%	-3.60%
India	0.83%	0.83%	0.19%	-0.19%

Purchasing Managers' Index	Last	Q4 2025	Q3 2025	Q2 2025
United States	52.6	47.9	48.9	49
Eurozone	51.3	51.5	51.2	50.6
Switzerland	48.8	46.4	46.1	48.7
Canada	50.4	48.6	47.7	45.6
Japan	51.5	50	48.5	50.1
China	49.3	50.1	49.8	49.7
India	55.4	55	57.7	58.4

Core Inflation (Core CPI - YoY)	Last	Q4 2025	Q3 2025	Q2 2025
United States	2.60%	2.60%	3.00%	2.90%
Eurozone	2.20%	2.30%	2.40%	2.30%
Switzerland	0.50%	0.50%	0.70%	0.60%
Canada	2.50%	2.50%	2.40%	2.60%
Japan	1.50%	1.50%	1.30%	1.60%

Consumer Spending (PCE - YoY)	Last	Q4 2025	Q3 2025	Q2 2025
United States	2.79%	N/A	2.83%	2.81%

Data as of 04/02/2026
N/A: Not yet reported or Public Holiday

January **Macro News**

- January was dominated by the US "large-scale strike" in Venezuela, resulting in the capture of President Maduro, which spiked geopolitical risk premiums. Tensions further escalated after President Trump threatened European nations with new tariffs over disputes regarding Greenland (echoing his 2019 interest in the island) though these were later withdrawn following NATO talks. Consequently, Brent crude jumped 16% and Gold shattered records to briefly touch $5,600/oz for the first time, driven by safe-haven demand.

- The Federal Reserve left rates unchanged at 3.50 - 3.75%, but the spotlight was on President Trump's nomination of Kevin Warsh as the next Fed Chair.

- Markets reacted with uncertainty to the choice; while Warsh is historically viewed as an inflation hawk, recent signals suggest he may align with Trump's preference for lower rates while aggressively shrinking the balance sheet.

- In Japan, Prime Minister Sanae Takaichi called a snap election to cement her mandate for "Sanaenomics“, an aggressive expansionary policy reminiscent of Abenomics. Her pledge for unfunded tax reductions reignited fiscal concerns, triggering a historic rout in Japanese Government Bonds (JGBs), with 30-year yields spiking to multi-decade highs and spilling over into global fixed income markets.

The "Warsh" Factor: **A New Regime for the Fed**

The nomination of Kevin Warsh represents the most significant shift in US monetary leadership since Jerome Powell took the helm. It signals a move from a technocratic, consensus-driven Fed to one that may align more closely with the White House's supply-side vision.

Source: aboutcoupang.com

Who is Kevin Warsh?

Warsh is a Wall Street veteran with a history of skepticism toward "easy money".

- A former executive at Morgan Stanley, he became the youngest Fed Governor in history when appointed by President Bush in 2006 at age 35.
- During the 2008 financial crisis, he served as Chairman Ben Bernanke's primary liaison to Wall Street, leveraging his M&A background to help navigate the banking meltdown.
- He famously resigned from the Fed in 2011, largely in protest against the second round of Quantitative Easing, arguing it risked inflation and financial instability. This history makes his current alignment with Trump's call for rate cuts a puzzle for investors.

Why it Matters

The market anxiety stems from a perceived contradiction in Warsh's philosophy.

For a decade, Warsh was an inflation hawk who criticized the Fed for keeping rates too low. Now, he is being nominated to cut rates in a growing economy.

Warsh has proposed a unique policy mix: aggressive interest rate cuts paired with a smaller Fed balance sheet (Quantitative Tightening). He argues this supply-side approach will boost growth without stoking inflation. Markets fear this is an impossible needle to thread. Cutting rates while shrinking the money supply could send conflicting signals, potentially spiking volatility.

The divergence between his hawkish record and his new dovish mandate means the market will test him, that's for sure.

A Call for **Defensive Diversification**

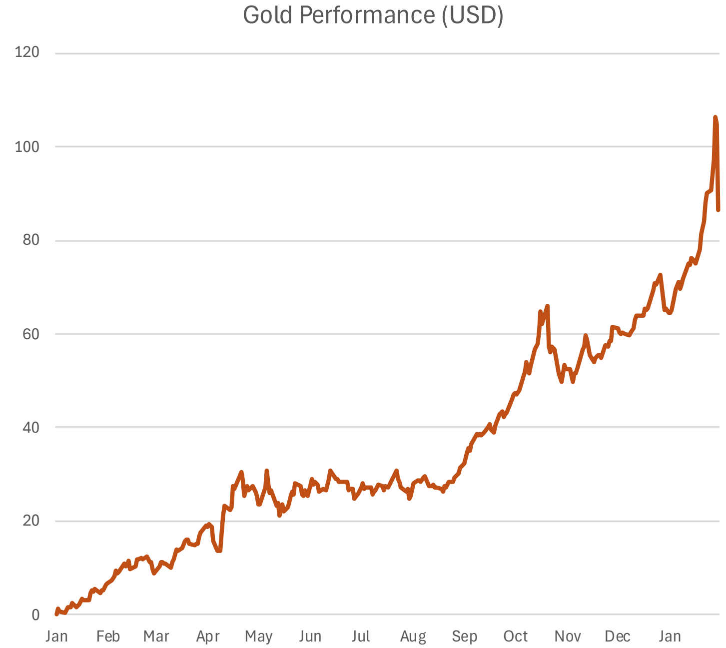
The final week of January 2026 served as a stark reminder of how quickly concentrated market positions can unravel. Between the "hawkish shock" of a new Fed Chair nomination and a US earnings season where even record-breaking results failed to move the needle, the case for a diversified, multi-asset approach has rarely been more compelling.

For much of early January, gold and silver were the primary beneficiaries of “debasement trade” fears and geopolitical uncertainty, gold reaching a historic peak of USD 5’600 per ounce. However, the surprise nomination of Kevin Warsh as the next Fed Chair triggered a violent deleveraging event.

Gold prices plunged more than 20% at the end of the month as the market recalibrated for a more hawkish monetary regime. This reversal highlights the danger of "crowded" tactical bets on a single macro narrative (inflation/debasement) that can be upended by a single Washington headline.

The current market regime suggests that the “easy gains” from US tech concentration and inflation-hedging trades (like gold) are facing diminishing returns and rising volatility. In an environment where policy uncertainty is high and fundamental "beats" are ignored, the most prudent strategy is to reduce concentration in US mega-caps and increase exposure to international quality and fixed income.

In 2026, diversification is not just a risk management tool; it is the primary strategy for capturing "Washington-independent" returns.



Source: Bloomberg

Historic Yield Surge **in Japanese Government Bonds (JGB)**

In January, JGB yields repriced sharply, with the 10-year yield reaching 2.35% (the highest since 1999) and the 40-year yield surpassing 4% for the first time ever. This reflects a shift in the regime from the near-zero yield environment of previous years.

Key drivers : inflation & BOJ normalization

Core inflation has remained above the BOJ's 2% target for an extended period, prompting the central bank to raise rates to a 30-year high and reduce JGB purchases, withdrawing a key source of demand. Yen weakness & fiscal expansion. The yen's 30%+ depreciation since 2020 has fueled imported inflation. PM Takaichi's “Sanaenomics” – a 21 trillion stimulus, record defense spending, and a proposed two-year food tax suspension costing approx. ¥5 trillion/year – has amplified fiscal concerns in a country with debt above 230% of GDP.

Implications for US Treasuries & the Dollar

Japan holds over $1.1 trillion in US government debt. As JGB yields rise and the US-Japan 10-year spread narrows from approx. 300bp to 200bp, the carry trade incentive for Japanese institutions to hold Treasuries diminishes. Even a gradual repatriation would push US yields higher independently of Fed policy, raising borrowing costs across the economy. A concurrent yen strengthening could accelerate this dynamic, creating a self-reinforcing loop of rising JGB yields, yen appreciation, and Treasury selling.

Source: Bloomberg

Corporate America is delivering, **but investors aren't buying it**

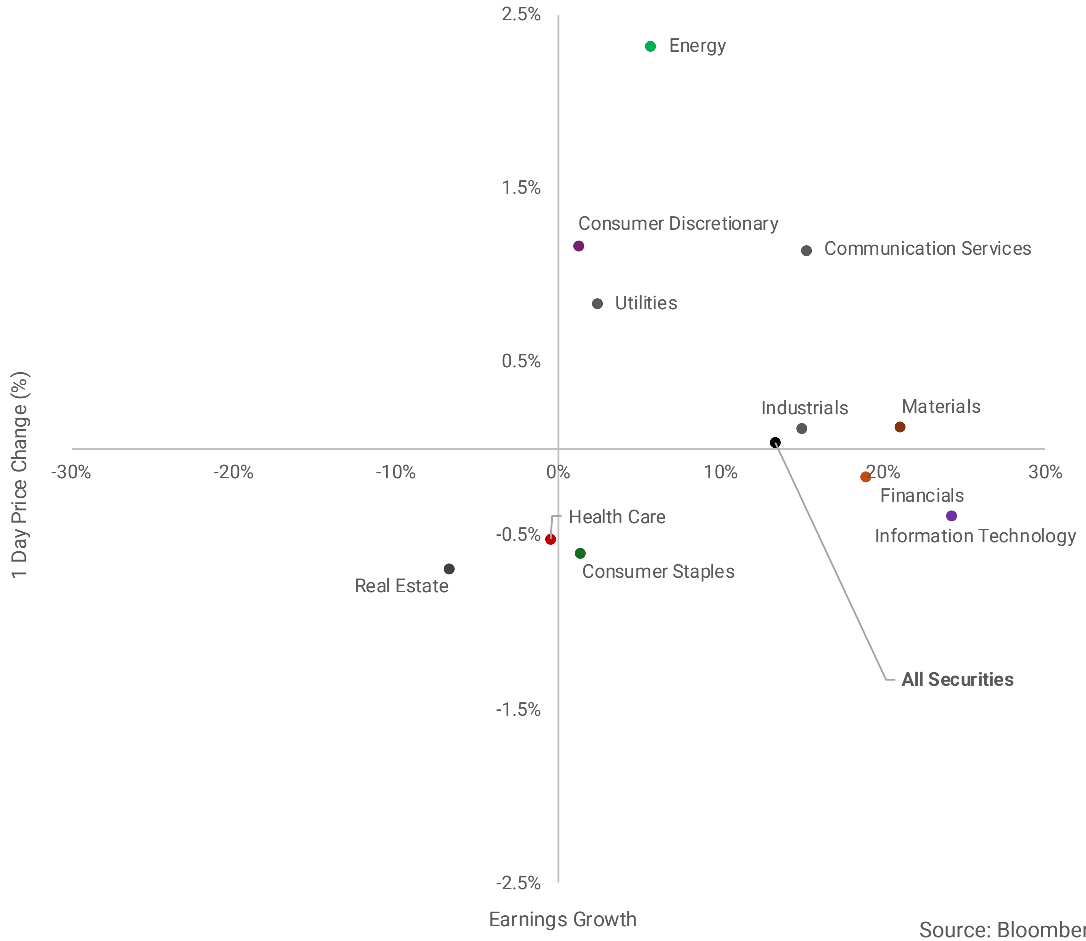
The Q4 2025 earnings season has been objectively strong, with S&P 500 earnings growth tracking at 11.9%, significantly beating preseason forecasts, but the market reaction has been remarkably muted.

The most notable trend this season is not the size of the beats, but the lack of reward for them. Historically, companies that beat both earnings and revenue estimates ("double beats") see their stock price outperform the index by an average of 124 basis points. This season, that premium has evaporated to a mere 3 basis points.

With the index trading at high multiples, investors have already "baked in" stellar performance. In this environment, a beat is not a catalyst for a rally; it is simply the price of entry to maintain current levels.

With expectations already high, surpassing an already high hurdle fails to excite a market looking for the next major growth narrative.

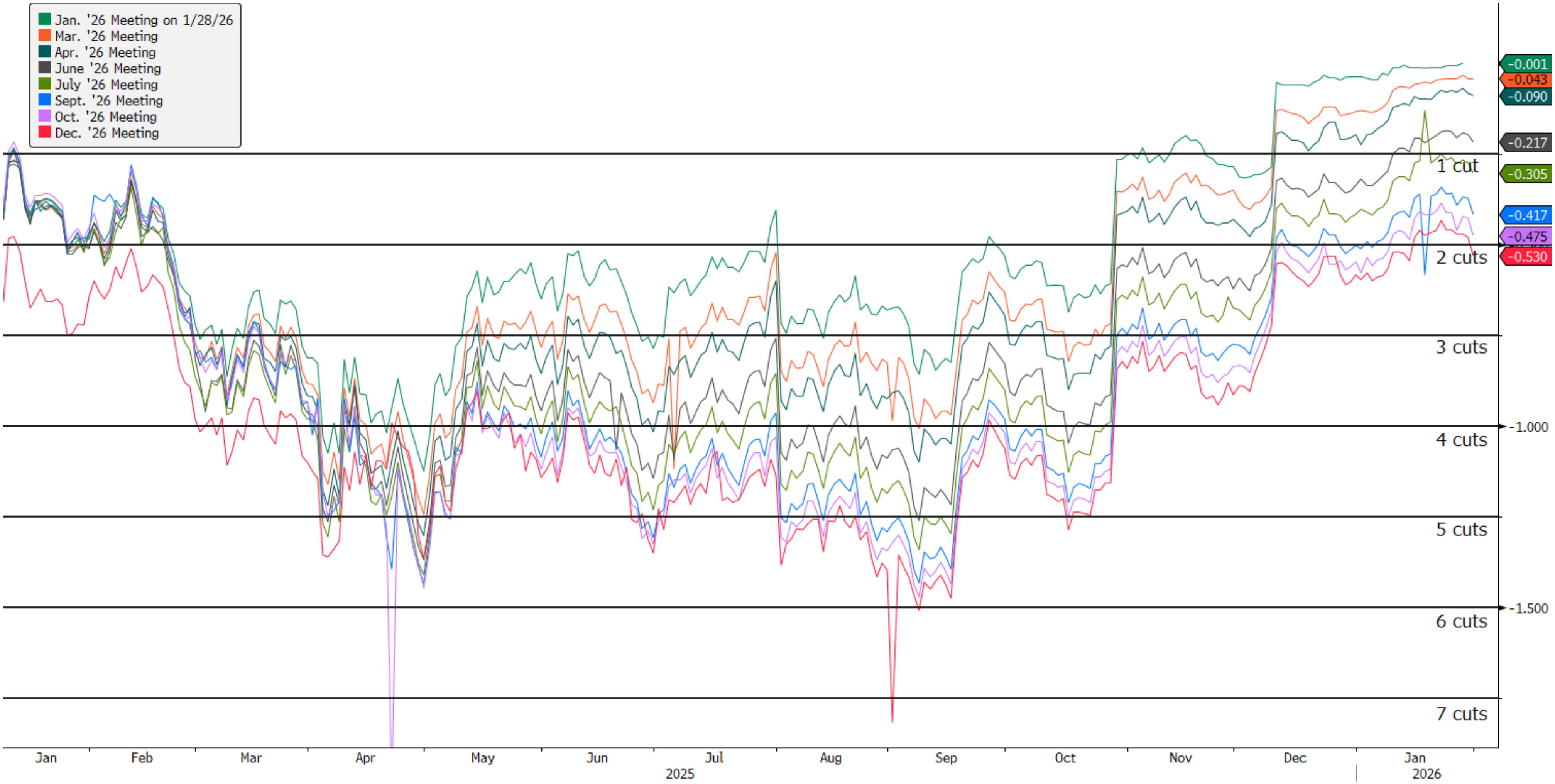
For the market to move significantly higher, we will likely need more than just good numbers; we will need forward guidance that justifies current valuations in the face of evolving geopolitical and inflationary risks.



Source: Bloomberg

Short Term Rates **Expectations**

The Federal Reserve held its policy rate unchanged at 3.50 - 3.75%, pausing after three consecutive quarter-point cuts. This decision marked a shift from the easing cycle that began in September 2025, with the FOMC signaling a higher bar for future rate reductions.



Key **Investment Themes**

- Uncertainty over trades policies and the volatility spikes that can accompany disappointing market releases on top of high valuations reinforce our conviction that **diversification is a core strategy** - particularly important as geopolitical uncertainties persist, whether in the Red Sea, the Middle East, Ukraine or Taiwan.

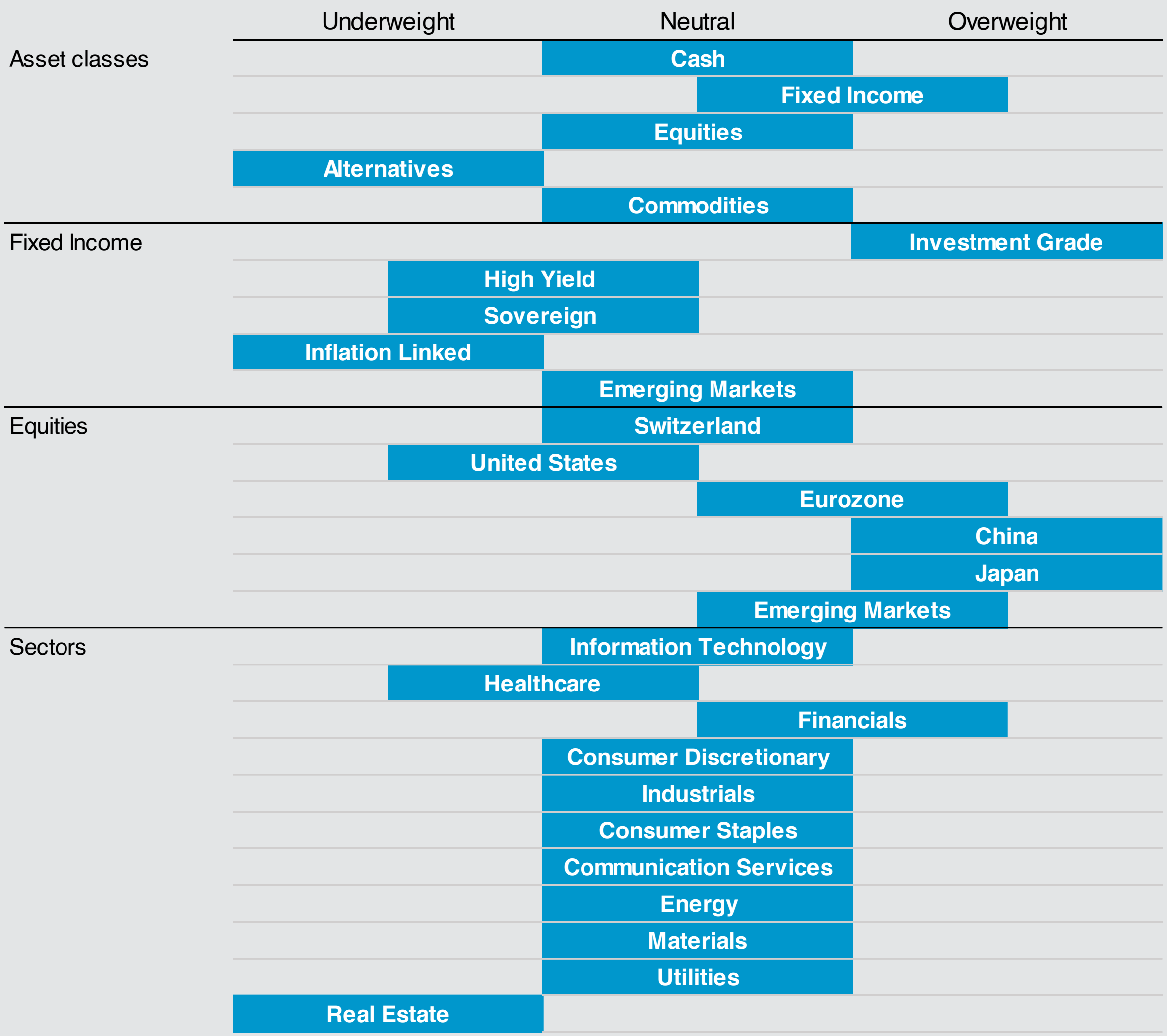
- The inflation target could well become the floor in this new economic cycle, with core inflation expected to remain above the 2% target by the end of 2025 but its trajectory is highly uncertain as it could be revived by the ongoing tariff war.

- Our recommendation is to focus on **quality stocks** with solid balance sheets and a long-term vision.

- On the **fixed-income** side, corporate bonds are facing higher interest costs overall, and potentially refinancing difficulties in the high-yield segment. Our preference at this stage of the cycle is **for higher-rated companies** rather than high yielding issuers.

- In the current interest-rate environment and within the broader policy dynamics of central banks in developed markets, our approach remains focused on carry strategies via bonds. We therefore maintain an **underweight in the alternative class**, capitalizing on the stability and predictable returns offered by bond instruments. However, we remain attentive to the opportunities offered by alternative investments, with their potential for returns uncorrelated with traditional markets.

Asset **Allocation**



Fixed-income allocation

Our selection focuses on the highest-quality issuers offering attractive risk-adjusted returns.

Equities

This context leads us to a more neutral approach to equities, where sector and regional diversification is more important than ever. We also keep a neutral stance on the United States following the ongoing turbulence caused by the new administration, with a slight bias towards Europe.

Alternative investments

In the current interest rate environment, our approach remains focused on carry strategies through bonds. We thus maintain an underweight allocation to alternative investments, capitalizing on the stability and predictable returns offered by bond instruments. Nevertheless, we remain attentive to opportunities offered by alternative assets, given their potential for returns uncorrelated with traditional markets.

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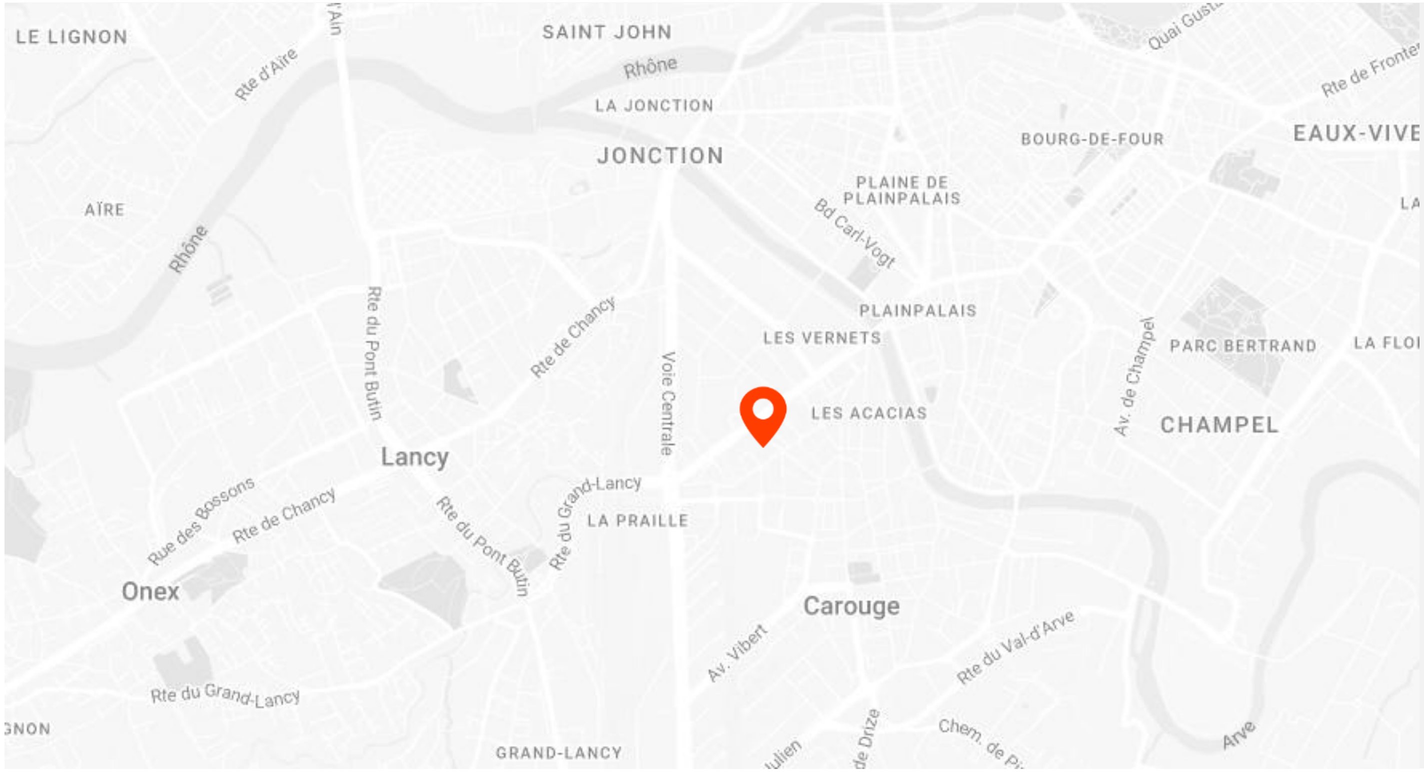
A DIFFERENT APPROACH TO WEALTH MANAGEMENT



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