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# Multi-Asset Strategy Quarterly

January 2026

# Foreword



**David Knee**  
Head of Multi-Asset

Welcome to our latest Multi-Asset Strategy Quarterly. In this report, we explore how easing monetary and fiscal conditions are supporting risk assets, even as growth remains uneven across regions and policy uncertainty persists. We also set out our higher-conviction asset class views across equities, fixed income, currencies and commodities, highlighting where improving liquidity and credit dynamics are creating selective opportunities.



**Alex Holroyd-Jones**  
Portfolio Manager

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**Rebecca Phillips**  
Assistant Portfolio Manager

**General risks.** The value of investments, and any income generated from them, can fall as well as rise. Where charges are taken from capital, this may constrain future growth. Past performance is not a reliable indicator of future results. If any currency differs from the investor's home currency, returns may increase or decrease as a result of currency fluctuations. Investment objectives and performance targets are subject to change and may not necessarily be achieved, losses may be made. Environmental, social or governance related risk events or factors, if they occur, could cause a negative impact on the value of investments.

**Specific risks. Currency exchange:** Changes in the relative values of different currencies may adversely affect the value of investments and any related income. **Emerging market (inc. China):** These markets carry a higher risk of financial loss than more developed markets as they may have less developed legal, political, economic or other systems. **Commodity related investment:** Commodity prices can be extremely volatile and significant losses may be made. **Default:** There is a risk that the issuers of fixed income investments (e.g. bonds) may not be able to meet interest payments nor repay the money they have borrowed. The worse the credit quality of the issuer, the greater the risk of default and therefore investment loss. **Equity investment:** The value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. insolvency), the owners of their equity rank last in terms of any financial payment from that company.

# Policy support underpins broadening growth drivers

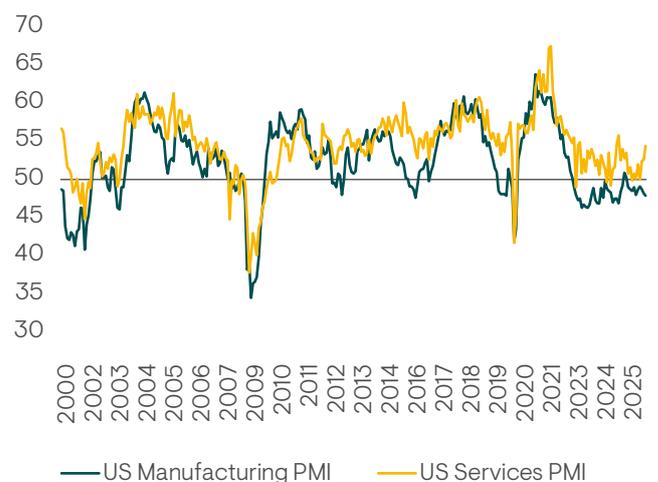
## Resilient growth, with scope to broaden

The US economy has weathered the tariff storm over the last eight months better than many investors had expected, with economic data remaining buoyant and inflation pressures benign. This has been supported by strong disinflationary forces from the housing sector, which continue to underpin progress. As we look ahead to 2026, growth is expected to remain robust and broaden, supported by the lagged impact of monetary easing, improving liquidity conditions as the Federal Reserve (Fed) returns to balance sheet expansion, and front-loaded fiscal spending that continues to support consumer spending. There are early signs of this broadening evident within the credit cycle, where momentum is no longer confined to previously dominant areas such as private credit, but is spreading more widely. Delayed tariff pass-through and broader disinflationary forces are expected to contain inflation more than consensus anticipates, keeping the door open to further easing from the Fed. However, as we move into the second half of the year, upside risks may increase as demand recovers and base effects become less supportive. Against this backdrop, we expect US risk assets to remain supported, with scope for a broadening in performance drivers as liquidity conditions ease. The labour market, however, remains a key risk to monitor.

**Figure 1: US core CPI**



**Figure 2: US PMI**



Source: Ninety One, December 2025.

## Policy supports underpins Europe's recovery

In Europe, monetary policy has been eased, with policy rates now at neutral levels. This is supporting an emerging economic recovery and a new credit cycle. The headwinds from recent tariff announcements are expected to weigh on growth in the coming quarters, albeit to a lesser extent than previously feared, while the latest budget proposals in Germany and across Europe to increase defence spending are expected to provide ongoing support to growth. A lagging policy reaction function from the ECB in the coming quarters raises the prospects of a reflationary environment as we move into 2026, creating a potential supportive backdrop for European currencies and risk assets, absent a renewed escalation in tariffs.

Figure 3: Euro core CPI



Figure 4: Euro PMI



Source: Ninety One, December 2025.

## China's consumption-led transition faces constraints

In China, easing measures have become less forceful in the near term, with the credit impulse once again rolling over. While the authorities continue to prioritise domestic consumption as a driver of growth, the "special action plan" outlines a broad set of measures aimed at shifting the growth model away from high-value-added industry and exports towards domestic consumption, a transition accelerated by the escalation in trade conflict. However, their ability to materially ease policy is constrained by weak domestic confidence and elevated debt levels.

The introduction of “anti-involution” policies has renewed hopes for an end to deflation and a recovery in nominal earnings. While we continue to expect policymakers to take the necessary steps to support a sustained recovery in consumption, near-term domestic risk assets have repriced significantly, and renewed weakness in the property sector adds to the headwinds facing consumption, suggesting limited asymmetry.

Figure 5: China inflation

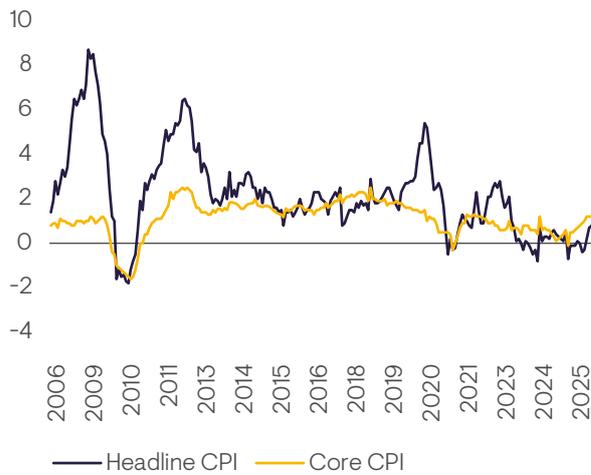
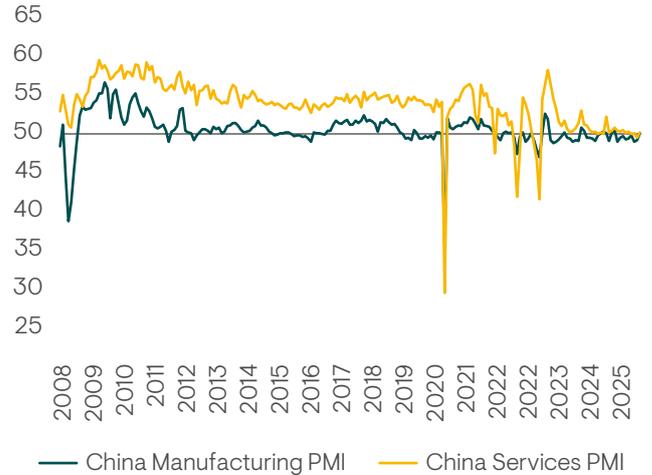


Figure 6: China PMI



Source: Ninety One, December 2025.

## Liquidity support favours risk assets, with selectivity required

As a result of our central investment roadmap, as discussed above, we continue to believe that risk assets will remain supported by easing fiscal and monetary conditions. Prospective liquidity easing by key central banks further supports this view, while improving credit cycles suggest the potential for a broadening of market drivers. In fixed income, we maintain a healthy allocation to defensive government bonds, given potential downside risks and a lack of value in credit markets. This provides dry powder to deploy during episodes of market volatility. In currency markets, while we continue to believe the medium-term path for the US dollar is weaker, stronger near-term economic momentum and upside inflation risks could lead to short-term upside for the currency.

# Summary of asset class views

## Defensive bonds

| View as at | 31 Dec 25 | 30 Sep 25 | 30 Jun 25 |
|------------|-----------|-----------|-----------|
| US         | neutral   | neutral   | neutral   |
| Eurozone   | neutral   | neutral   | neutral   |
| Japan      | neutral   | neutral   | neutral   |
| UK         | positive  | positive  | positive  |
| China      | neutral   | neutral   | neutral   |

■ max positive  
 ■ positive  
 ■ neutral  
 ■ negative  
 ■ max negative

**Positive:** UK, EU & Swedish curve steepeners

### Summary

The disinflationary forces across the US and Europe have supported central banks in easing policy back towards a more neutral level. In Europe, the European Central Bank (ECB) appears to be at the end of its cutting cycle, with economic data reaccelerating, supported by fiscal expansion and interest rate-sensitive areas of the economy.

The Federal Reserve (Fed) has resumed lowering interest rates as uncertainty wanes and inflationary pressures remain benign; however, uncertainty over the growth and inflation outlook, particularly given tariff policies, may limit its ability to materially lower rates further. As a result of the uncertainty around the growth and inflation outlook across key regions, we are neutral on overall duration with remaining positions focused on areas where there is a high degree of economic sensitivity to interest rates such as the UK.

## Growth bonds & credit spreads

| View as at | 31 Dec 25 | 30 Sep 25 | 30 Jun 25 |
|------------|-----------|-----------|-----------|
| EM HC      | neutral   | neutral   | neutral   |
| EM LC      | positive  | neutral   | neutral   |
| US Credit  | negative  | negative  | negative  |
| EU Credit  | negative  | negative  | negative  |

■ max positive  
 ■ positive  
 ■ neutral  
 ■ negative  
 ■ max negative

**Positive:** South Africa and Brazil local currency

### Summary

Developed market credit spreads remain at multi-year tightness amid a supportive macroeconomic and tariff policy backdrop. Issuance dynamics also look set to become a headwind as corporates, particularly in the technology sector, build up debt to fund investment. Given the limited upside, we do not believe current valuations compensate investors for taking credit risk, particularly in the US, where recession risks remain elevated.

Overall, we remain selective in our approach to emerging market fixed income. While the weaker US dollar and the potential for further Fed easing are supportive for emerging market assets, many countries have already adjusted policy in response to falling inflation, leaving valuations less attractive. We continue to focus exposure on areas where risk premia remain attractive and are supported by fundamentals, such as Brazil and South Africa.

# FX

| View as at | 31 Dec 25 | 30 Sep 25 | 30 Jun 25 |
|------------|-----------|-----------|-----------|
| USD        | neutral   | neutral   | negative  |
| EUR        | neutral   | positive  | positive  |
| JPY        | neutral   | neutral   | neutral   |
| CNY        | neutral   | neutral   | neutral   |
| EM         | positive  | neutral   | neutral   |

■ max positive  
 ■ positive  
 ■ neutral  
 ■ negative  
 ■ max negative

**Positive:** Euro, New Zealand dollar, Brazilian real, South African rand, Turkish lira

**Negative:** Swiss franc, US dollar

## Summary

We continue to see the medium-term outlook for the USD as biased to weakness, reflecting easier policy conditions and softer economic activity as policy actions feed through to the real economy, particularly via immigration and fiscal spending. This reflects the public sector's outsized role in supporting growth in recent years.

In contrast, early signs of recovery in Europe, underpinned by substantial policy easing, point to potential economic divergence between the US and the rest of the world. However, in the near term, short US dollar positioning has become stretched. Combined with offsetting forces from dollar reflexivity and continued fiscal support, there is a risk that the US economy surprises weak consensus expectations to the upside. As a result, we have moved to a neutral stance across the major regions. A broadly benign US dollar backdrop, alongside a potential broadening in global growth drivers, remains supportive for emerging market carry.

# Equity

| View as at    | 31 Dec 25 | 30 Sep 25 | 30 Jun 25    |
|---------------|-----------|-----------|--------------|
| US            | positive  | positive  | neutral      |
| Europe ex-UK  | positive  | positive  | neutral      |
| UK            | neutral   | neutral   | neutral      |
| Japan         | neutral   | neutral   | neutral      |
| Asia ex-Japan | neutral   | neutral   | max positive |
| EM vs. DM     | neutral   | neutral   | neutral      |

■ max positive  
 ■ positive  
 ■ neutral  
 ■ negative  
 ■ max negative

**Positive:** Eurostoxx 50, Russell 2000, Nasdaq call options

## Summary

Within the equity allocation, we have become more positive on the US outlook. The policy backdrop remains supportive, with liquidity conditions expected to improve as the Fed resumes balance sheet expansion and leaves the door open to further interest rate adjustments. This supportive policy setting, alongside improving growth momentum, should continue to underpin regional risk assets.

The lagged transmission of policy easing to date, improving credit dynamics, and the potential front-loading of fiscal spending in 2026 are expected to support a broadening in US growth and market drivers. This should benefit areas of the equity market that have lagged, particularly US small caps, where earnings momentum is improving.

European risk assets also look set to benefit from a cyclical recovery at a time when fiscal spending is increasing, creating scope for further upside.

Within emerging markets, Chinese authorities are actively easing policy conditions to encourage growth and stabilise the economic outlook. We expect this to support linked equity markets, although we have retained a neutral stance on the region in the near term following notable repricing and more limited valuation asymmetry.

# Commodities

| View as at          | 31 Dec 25    | 30 Sep 25 | 30 Jun 25 |
|---------------------|--------------|-----------|-----------|
| Energy              | max negative | negative  | neutral   |
| Precious metals     | positive     | positive  | positive  |
| Base metals & bulks | positive     | positive  | neutral   |
| Agriculture         | neutral      | neutral   | neutral   |

■ max positive  
 ■ positive  
 ■ neutral  
 ■ negative  
 ■ max negative

## Summary

Broad commodity exposure is becoming increasingly attractive in a multi-asset portfolio context, as previous policy easing continues to feed through, combined with front-loaded fiscal spending and a return to Fed balance sheet expansion, conditions look set to support a broadening in growth drivers. As we move through 2026, this recovery in demand raises the risk of a reflationary scenario, which should support commodity prices, with the additional benefit of providing diversification should stagflationary pressures emerge.

From a specific commodity perspective, precious metals remain in a constructive environment. Gold's rally looks sustainable rather than exhausted, supported by a softer dollar, expected Fed cuts, geopolitical risk, fiscal concerns, and ongoing central bank buying. Prices are more likely to consolidate or grind higher than to correct sharply, underpinning exceptionally strong margins for gold miners. Silver remains well supported in its higher trading range, while platinum stands out as the strongest performer, with a material supply deficit likely to require higher prices to unlock stockpiles.

In energy, near-term oversupply concerns remain; however, we see potential for a more positive oil outlook to materialise as we move into 2026, creating an attractive entry point as capacity constraints emerge. We remain positive on copper amid widespread supply disruptions, low inventories and resilient demand from power infrastructure and data centres. Iron ore and coal are likely to remain range-bound as supply increases. In agriculture, grain markets are poised for recovery as low prices curb planting and inventories tighten into late 2026, supported by biofuel policy tailwinds and stronger feed demand.

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