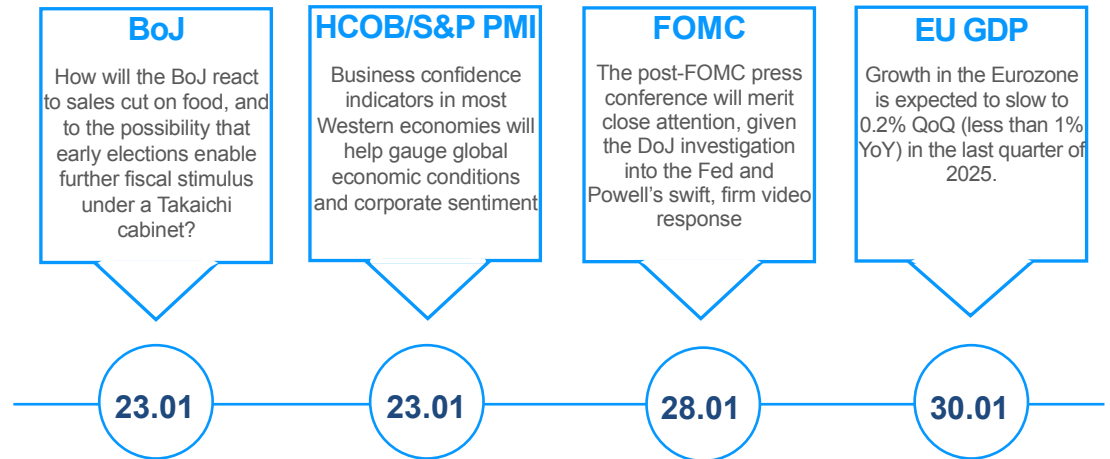


## Main Events

### Azimut Global Network

- \* Milan
- \* Abu Dhabi
- \* Austin
- \* Cairo
- \* Chicago
- \* Dubai
- \* Dublin
- \* Hong Kong
- \* Estoril
- \* Istanbul
- \* Lugano
- \* Luxembourg
- \* Mexico City
- \* Miami
- \* Monaco
- \* New York
- \* Santiago
- \* São Paulo
- \* Shanghai
- \* Singapore
- \* St Louis
- \* Sydney
- \* Taipei



## GEOPOLITICS MESSING (or interfering?) WITH MACROECONOMICS

- The slew of US macroeconomic data recently published, part of which still refers to the shutdown period, points to a resurgence of strength in the US economy
- However, the gains recorded by financial markets in early January are at risk of being jeopardised by the growing geopolitical interference on several fronts
- Disturbing factors include threats to the Fed's independence, tariffs imposed by Trump to pressure Europe to hand over Greenland, and Japanese Prime Minister Takaichi's decisions on tax cuts and snap elections

In the first weeks of 2026, financial markets continued their relentless advance, which is now entering its fourth year. Markets continue to be buoyed by abundant liquidity, which has been expanding once again since the Federal Reserve resumed purchasing \$40 trillion worth of T-bills per month back in December to "maintain ample reserves."

Supporting the rally were also macroeconomic data. Above all, US data were particularly positive, to the extent that the Atlanta Fed's GDPNow indicator estimates that the economy is growing at an annualized rate of over 5% in the current quarter.

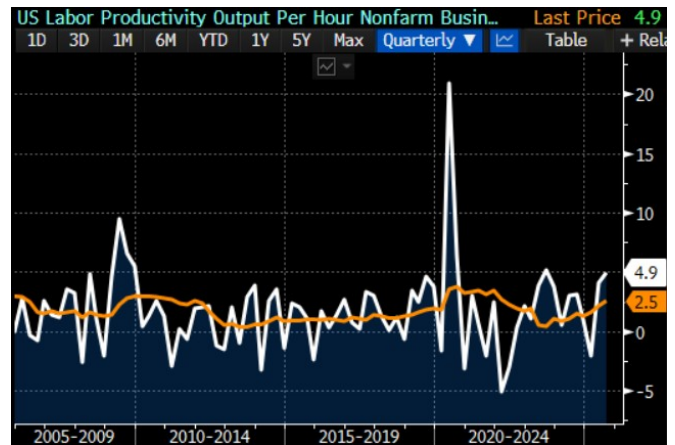
Probably one of the most relevant data points was productivity, which grew by 4.9% in the third quarter, accelerating from +4.1% in the previous quarter. As a result, unit labour costs fell by 1.9% in the same period. This could be an initial indication that AI is beginning to have a tangible effect on the economy. Taking the three-year average, productivity rose by 2.5%, the highest level in 15 years, excluding the effects of the distortion created by COVID-19 in the first quarter of 2020.

The CPI reading was confirmed at +2.7% YoY in the headline version, while the Core CPI remained at +2.6%. Thus, inflation is still not a cause for concern and shows no signs of accelerating again, notwithstanding the tariffs.

(continued)



Source: Bloomberg



Source: Bloomberg

Retail sales have recorded strong growth. This is particularly true for the “control group,” which is more closely correlated with GDP growth, where retail sales have increased by a cumulative 1% over the past two months.

The weakest area remains the labor market, where both layoffs and hiring continue to decline, and the latest nonfarm payroll data fell short of expectations: the economy created only 50k jobs in December, the two-month revision amounted to -76k, and the three-month moving average fell to -22k. Private-sector payroll growth cooled in December, with employers adding 37k jobs. The unemployment rate declined to 4.4% from an unrevised 4.6% in November. Nearly all of the decline in unemployment was accounted for by a reduction in labor force re-entrants.

The combination of solid growth, weak employment, and contained prices is ideal not only for enabling the Federal Reserve to cut rates in 2026, but also for financial markets, which have the potential to thrive in such an environment. Unfortunately, this scenario is increasingly being disrupted by Trump’s growing interference on various fronts.

While the Maduro case was a net positive for markets, as argued in the previous report, the Justice Department’s decision to open an investigation into the Fed is far more controversial. Unlike in the past, when Powell refrained from openly challenging Trump’s statements and initiatives, this time the Fed chair responded with an equally blunt and forceful video, accusing Trump of using a pretext to subordinate the Federal Reserve to his will. Although this argument has been voiced repeatedly in recent months by journalists and economists, the fact that accusations of undermining the Fed’s independence have been made by the Fed chair himself carries significantly more weight. Even though the volatility triggered by this episode lasted less than a day, the issue of the Fed’s independence is likely to remain a key focus for investors.

The second source of market disruption is the decision to use tariffs once again as a means of pressuring Europe to hand over Greenland. In this commentary, we refrain from addressing the broader political implications and focus solely on the potential impact on financial markets. It is well known that Trump tends to apply maximum pressure on counterparties in order to extract concessions. However, as this strategy is now widely recognized, it may prove less effective. In this case, it is difficult to imagine Europe yielding to such pressure. The main uncertainty is whether Europe will respond with countermeasures to any tariffs imposed by Trump. If markets follow the same playbook as last April, the initial reaction could be negative, followed by a recovery once the situation stabilizes. That said, the dollar could come under renewed pressure, particularly in the event of retaliation. A further escalation of the dispute could instead lead to more disorderly corrections.

Market stability is also being threatened by developments on the other side of the Pacific. In Japan, parliament has been dissolved and a snap election will be held on February 8. Prime Minister Takaichi appears to be pursuing a strategy similar to that adopted by Macron two years ago, seeking to capitalize on her high personal approval ratings to secure a national mandate for her expansionary fiscal agenda.

## (continued)

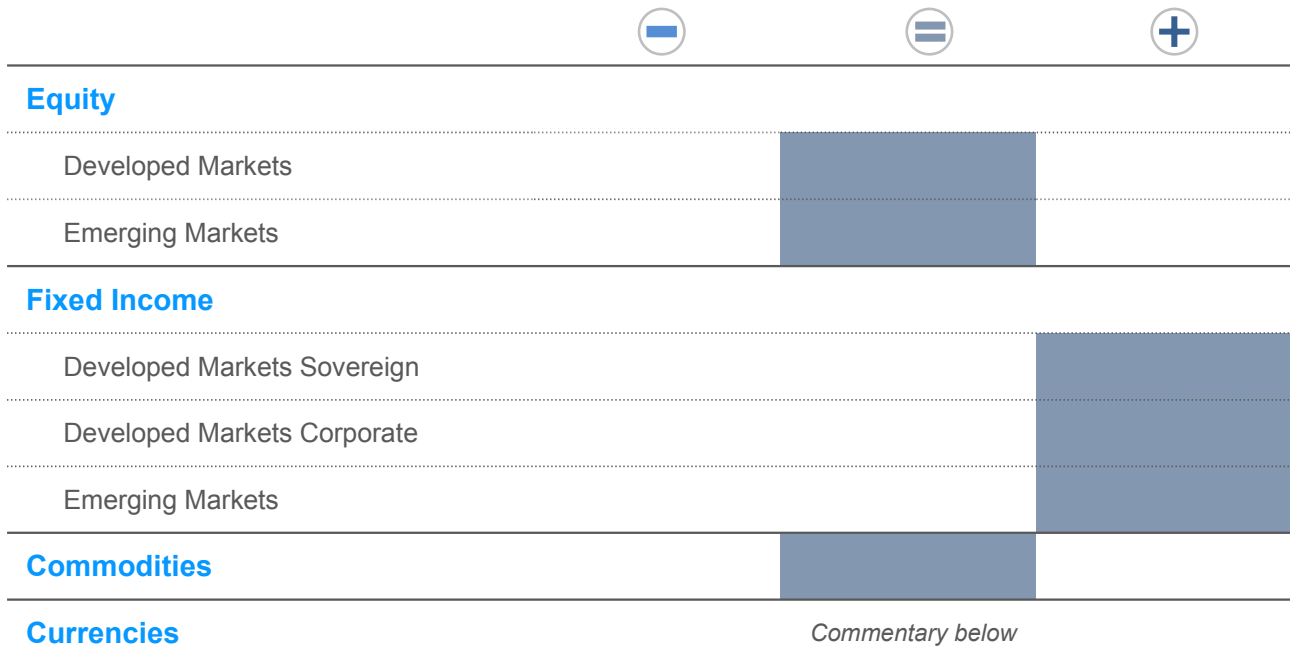
With the snap election, Takaichi aims to capitalize on her high personal approval ratings to secure a national mandate for expansionary fiscal policies. To boost her chances of winning next month's election, Japanese Prime Minister Takaichi has announced a two-year tax exemption on food and beverages. This measure has triggered a further sharp rise at the long end of the Japanese yield curve, particularly given that Japan's debt-to-GDP ratio is already the highest in the world and that she has made no secret of her intention to make extensive use of fiscal leverage.

The sharp increase in Japanese long-term interest rates seen in recent days increasingly resembles the dynamics observed in the UK following the "mini-budget" announced by Liz Truss a few years ago. Unlike in the UK case, however, equity markets and the yen have so far remained relatively stable despite the dramatic rise in long-term rates, and there have been no signs of broader contagion, except at the very long end of other government bond curves. That said, given that for years a significant amount of global leverage has been funded in yen—thanks to rates far lower than elsewhere—the risk of sudden contagion remains tangible.

However, one cannot ignore the evidence that financial markets have recently ignored any signs of potential danger. This inability to correct despite the negative news flow is indicative of exceptionally strong momentum and very bullish investor sentiment. Therefore, even a simple easing of the concerns that have emerged in recent weeks could lead to a further extension of the bull market.

In conclusion, the recommendation remains to stay invested with a neutral positioning. If the current uptrend persists, this approach allows investors to participate in the rally. Should a correction materialize, however, the investment team's view is that—as long as the global economy remains solid—any meaningful pullback should be used as an opportunity to add risk assets to portfolios.

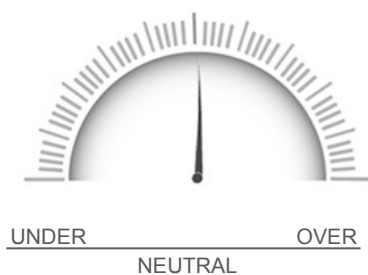
# Asset Allocation View



UNDER   
 NEUTRAL   
 OVER

## Equity

### Developed Markets



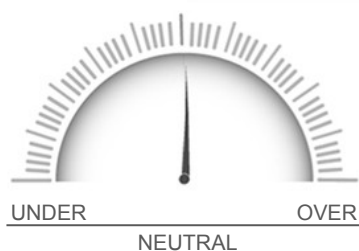
We maintained our **Neutral** recommendation on Developed Market equities, albeit with increased caution, while acknowledging that markets may be vulnerable to a healthy pullback following recent gains, potentially triggered by the geopolitical developments discussed in the Prologue and compounded by stretched valuations. Should a correction occur, the committee believes it should be treated as a buying opportunity, as the global economy continues to grow at a solid pace. We continue to recommend broad diversification across styles, sectors, and regions, with a majority of committee members favoring markets outside the US over the US.

US

Europe

Japan

### Emerging Markets



We reaffirm our **Neutral** stance on Emerging Market equities. Emerging market valuations remain attractive, despite the re-rating of recent months. Furthermore, Trump now seems to be focusing on Europe due to the issue of Greenland's sovereignty, while emerging countries appear to have slipped out of Trump's crosshairs. Expectations that the US dollar will remain weak, the strength of commodities—which emerging countries are typically richly endowed with—and the breaking of multi-year highs by the MSCI Emerging Markets Index suggest that the current bullish trend in emerging countries still has room to run.

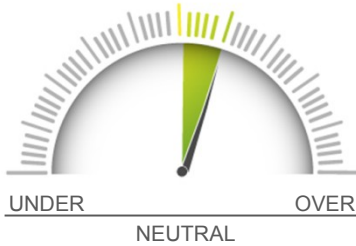
Asia ex-Japan

EEMEA

LATAM

## Fixed Income

### Developed Markets Sovereign



We maintain our **Slightly Overweight** recommendation on Developed Market sovereign bonds. We maintain our Slightly Overweight recommendation on developed market sovereign bonds. Our preference remains for segments of the curve up to seven years, while we are more cautious on longer tenors. This is particularly the case in the United States, where recent macroeconomic data point to an acceleration in economic activity, and in Japan, where the dissolution of parliament and proposed tax reductions are reigniting concerns about fiscal irresponsibility.

EU Core



EU Periphery



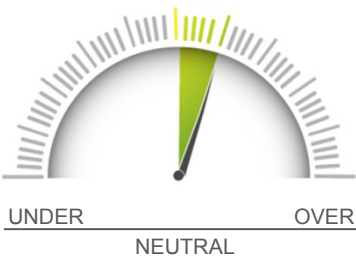
US Treasury



Japanese JGB



### Developed Markets Corporate



We maintain our **Slightly Overweight** recommendation on Developed Market corporate bonds. Demand for credit remains robust, even if spreads have tightened to record lows. With no major drivers on the horizon to materially increase volatility, near-term market moves are expected to remain contained given the continued resilience of the U.S. and European economies. We continue to recommend a focus on high-quality issuers, while avoiding excessive exposure to high-yield instruments.

IG Europe



IG US



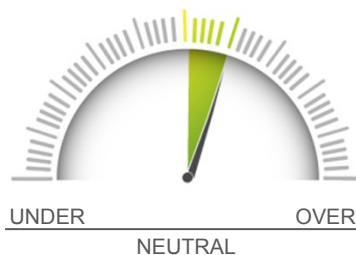
HY Europe



HY US



### Emerging Markets



We continue to maintain our **Slightly Overweight** recommendation on Emerging Market Bonds. The rapid tightening of spreads in developed market bonds makes emerging market spreads comparatively more attractive versus similarly rated developed issuers. U.S. dollar weakness, along with ongoing diversification away from U.S. assets by international investors, could further support capital flows into emerging markets. Valuations remain compelling across much of the asset class, offering investors a higher yield without taking on excessive credit risk.

Local Currency



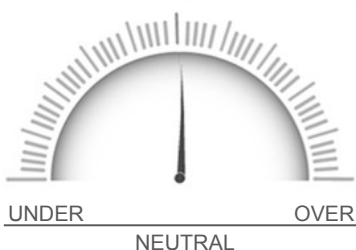
Hard Currency IG



Hard Currency HY



## Commodities



We maintain a **Neutral** recommendation on Commodities. In light of the renewed geopolitical tensions, this time surrounding Greenland's sovereignty, the committee returned to a more constructive stance on precious metals, given their role as a portfolio hedge, despite the persistent overbought conditions that could lead to short-term pullbacks. Among precious metals, there is a preference for gold, as it is less volatile. As for other commodities, industrial metals may have room to extend their recent rally.

Precious



Energy



Industrial



Agricultural



## Currencies

We have upgraded our recommendation on the US Dollar back to **Neutral**. The latest macroeconomic data point to a recovery in the US economy. This could limit the number of cuts that the Fed will be able to implement and, as a result, the interest rate differential could shift in favor of the United States.

The view on the Euro remains **Neutral**, although Trump's threat to impose tariffs on Europe if it does not cede Greenland could represent a short-term headwind for the euro.

We have maintained our **Neutral** stance on the **Chinese Renminbi**.

The outlook for other **emerging market currencies** has been confirmed as **Neutral with a bullish bias**. The recent outperformance of emerging debt strategies has been gaining momentum among investors, despite the uncertainties still surrounding trade relationships.

Euro		USD		CNY		Other EM	
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