



December 2025

2026 Investment Market Outlook

Advancing with Resilience

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Macro Overview

Over the past year, despite the disruptive impact from President Trump's tariff announcements and related rhetoric, global investment markets have continued to trend positively. Asian equities have been among the strongest regional performers. While the initial tariff announcement temporarily heightened market volatility, a weaker U.S. dollar, strong momentum in AI-related investments, and rising expectations for Federal Reserve rate cuts collectively supported robust performance across major Asian markets—including China, Hong Kong, South Korea, and Taiwan.

Looking ahead to 2026, we believe AI and technology stocks, led by the US, will remain the market's focal point. On one hand, increasing investor scrutiny over valuation levels and the sustainability of massive capital expenditures (CapEx) means future earnings performance of these companies will remain under close watch. On the other hand, whether AI technology achieves further breakthroughs in everyday human life will be key to the future trajectory of related stock sectors, while also influencing overall market sentiment.

In contrast, China's technology and AI-related sectors may offer clearer investment visibility next year. Following the formal approval of the 15th Five-Year Plan framework, the country's economic policy direction has become more transparent. The central government's emphasis on "technological self-reliance and self-strengthening" confirms that technology autonomy will serve as a structural engine for long-term economic growth. These policy priorities also provide a solid foundation for China's AI and advanced technology sectors to continue narrowing the gap with U.S. counterparts.

Beyond AI, traditional macroeconomic drivers will also influence investment sentiment in 2026. Market expectations regarding the timing and magnitude of Federal Reserve rate cuts have been a dominant force throughout this year. At the time of writing, consensus expectations point to the potential appointment of a more dovish Fed chair next year, which may help maintain accommodative liquidity conditions. Meanwhile, with the U.S. government resuming operations and restarting the release of economic data, investors will gain greater clarity in assessing the economic outlook and the likelihood of rate cuts.

As the U.S. reached agreements and preserved communication channels with certain trading partners this year—together with the agreement between President Xi Jinping and President Donald Trump at the Busan summit to suspend selected restrictive trade measures for one year—market concerns over U.S. tariff policy and China-U.S. relations have eased substantially. With U.S. midterm elections scheduled for November next year, the Trump administration is also expected to introduce pro-growth policies in the first half of 2026, which may provide additional support to market sentiment.

Overall, we remain constructive on the outlook for risk assets in 2026, though we expect market volatility to rise. Apart from elevated valuations across risk assets, the rapid expansion of derivative products in recent years may further amplify short-term market swings. Against this backdrop, while we continue to identify high-quality investment opportunities, we will maintain strict discipline in risk management to preserve capital stability and pursue sustainable growth, "advancing with resilience".



Asset Allocation

Equities / Bonds / Golds / Commodities

Given expectations that market risk appetite will remain relatively strong, our asset allocation strategy for next year (at least through the first half) will continue to emphasize equity exposure. We anticipate that Asian equities—particularly in North Asia—will continue to offer attractive investment potential, while there is alpha opportunities from ASEAN. At the same time, we will maintain a meaningful allocation to bonds as a core source of portfolio income. In addition, we will hold a moderate allocation to gold as a hedge against geopolitical risks, together with selective exposure to precious and industrial metals to capture potential opportunities associated with the broader “de-dollarization” trend.

Equities (60%): We will continue to prefer Asian equities, particularly North Asia, in 2026, given our constructive view on the region’s structural growth opportunities, including those in China. However, with the elevated valuations, our investment approach will become increasingly selective, focusing on identifying the most compelling opportunities within the market. In addition, we see meaningful upside potential in ASEAN equities. Although the region has lagged its Asian peers this year, valuations have remained comparatively low, which is an increasingly rare dynamic in global equity markets, and therefore warrant closer attention in the year ahead.

Bonds (30%): We expect the Federal Reserve to continue cutting interest rates next year. Although the pace of easing may become more moderate, it should still be sufficient to support demand for income-oriented assets, including Asian bonds. However, given that overall credit spreads have compressed to relatively low levels, we will adopt an even more selective approach in our bond allocation.

Gold (5%): Despite gold having already recorded substantial gains this year, it remains a useful tool for portfolio risk diversification. Looking ahead, gold prices may enter a consolidation phase following the recent sharp rally; however, continued central bank accumulation is expected to provide a meaningful degree of downside support.

Commodities (5%): While a persistently steep yield curve reinforces the role of commodities as an effective hedge against inflation, the “USD debasement trade”, which is expected to extend into 2026, should also support strategic allocation to hard assets like industrial metals and other precious metals in diversified portfolios.

Chart 1 – Overview of 2026 Asset Allocation

Rating	Equities	Bonds	Alternatives
5 (Overweight)	ASEAN	-	Gold / Commodities (other precious metals and industrial metals)
4	China / Hong Kong / Korea	China IG / China HY	-
3 (Neutral)	Taiwan / Japan / India	Asian IG / Asian HY EM Bonds	Real Estate / Oil
2	Singapore	-	Cash / Liquidity Management
1 (Underweight)	-	-	-

Source: Value Partners, December 2025.

Equity Market Outlook

China

We maintain a cautiously constructive view on the China's equity market in 2026. First, the external environment is gradually improving. Following the recent meeting between Chinese and U.S. leaders, bilateral economic and trade relations have stabilized. At the same time, easing U.S. inflation and a rising unemployment rate suggest that the Federal Reserve remains in an easing cycle, with global liquidity conditions likely to become more accommodative. Second, underlying fundamentals have remained resilient. Despite facing significant external uncertainties in 2025, China's economy has continued to operate steadily, supported by a more proactive policy stance adopted since September 2024. Looking ahead, aggregate policy settings are expected to maintain their current bias, with strong continuity and effectiveness. Third, structural reforms are progressing. As the 15th Five-Year Plan is gradually implemented, additional policies focused on optimizing the economic structure are likely to be rolled out. Taken together, easing internal and external risks, alongside a mild economic recovery, should provide solid support for the equity market in 2026.

That said, the pace of demand-side policy implementation remains relatively measured, resulting in a gradual improvement in supply-demand rebalancing. As a result, a low-inflation environment continues to characterize the current macro backdrop. Within the overarching theme of high-quality development, and along the trajectory of industrial upgrading and technological self-reliance, we are particularly constructive on the following areas: (1) technology sectors driven by artificial intelligence (AI); (2) healthcare-related industries; (3) high-dividend sectors with stable payout capacity, which offer attractive allocation value in a low-inflation environment; (4) beneficiaries of the gradual rollout of "anti-involution" policies, which could lead to tangible improvements in corporate profitability and return on equity (ROE); and (5) investment themes associated with the "Going Global" 2.0 strategy, which also warrant close attention.

AI Technology: We believe the AI-driven investment theme that has supported China and Hong Kong equities this year is likely to extend into next year. Increasing evidence shows that China is rapidly advancing in AI-related technologies and narrowing the gap with leading players in the U.S., Europe, and South Korea. With valuations having risen, we expect corporate earnings performance and visibility to become one of the most critical factors for investors in 2026.

Healthcare: China's healthcare sector sits at the convergence of several major structural growth forces globally. Demographic transformation, accelerating industry innovation, R&D cost advantages, and increasingly supportive policies are collectively elevating the sector to a strategic pillar of China's long-term economic development. Indeed, healthcare is central to achieving the "Healthy China 2030" vision—not only by improving population longevity and fostering innovation, but also by enabling greater self-sufficiency in high-value industries, fully in line with the structural priorities of the 15th Five-Year Plan.

High Dividend Sectors: We expect China’s high-dividend equity theme to continue delivering solid performance, supported by three key factors: (1) a persistent low-inflation environment, (2) sustained policy support, and (3) increasing incremental inflows. Given the consistency and stability of China’s macro policy stance, we anticipate that the overall policy orientation will largely remain unchanged. As a result, demand recovery is likely to stay gradual, particularly as the property market remains in a bottoming phase. Meanwhile, supply–demand imbalances will take time to normalize, helping extend the low-inflation backdrop and enhancing the relative appeal of high-dividend equities.

Since the introduction of the new National Nine Guidelines, total dividends paid by onshore listed companies have continued to climb. As of June 30, 2024, A-share cumulative dividends reached RMB 1.44 trillion, equivalent to 61.5% of the full-year 2024 total. In addition, the latest insurance-regulatory adjustments—which lower the risk factor for insurers investing in high-dividend stocks—should further support dividend-asset allocations. Continued incremental inflows will provide an increasingly solid foundation for the performance of China’s high-dividend equities.

“Anti-Involution” Beneficiaries: Since July 2024, policy efforts aimed at curbing “involution” and disorderly price competition have strengthened noticeably. At the central level, the sixth meeting of the Central Financial and Economic Affairs Commission explicitly called for the lawful rectification of low-price competition and the orderly exit of outdated production capacity. At the industry level, leading companies and associations across sectors such as solar, cement, steel, and autos have actively responded, with some announcing concrete production-cut plans.

We expect additional supporting measures to follow. As supply–demand dynamics in these sectors gradually improve, corporate profitability and return on equity (ROE) should also recover, creating room for valuation re-rating opportunities.

“Go Global” Strategy 2.0: Improvements in the external environment, combined with rising manufacturing capabilities and more internationalised management practices among mainland enterprises, are expected to support China’s continued expansion in the global trade landscape, creating further value-accretion and investment opportunities. Since the China–U.S. presidential meeting earlier this year, bilateral trade relations have eased. Given the mutual constraints across multiple fronts, we expect China–U.S. relations to remain broadly stable in the near term. Meanwhile, as the Federal Reserve begins its rate-cut cycle, prompting other major central banks to follow, external demand should gradually recover.

China’s strengthened manufacturing base and enhanced global operating capacity are evident in three areas: i) a steadily rising share of high-value-added exports, ii) broader diversification of export markets, and iii) continued optimisation of global supply-chain deployment to adapt to a multipolar world. According to China Customs, exports of high-end equipment tied to new-economy grew more than 20% year-on-year in the first half of 2025. Exports of the “new three” green-transition products (EVs, lithium batteries, and solar products) rose 12.7%, outpacing the overall export growth of 5.9%.

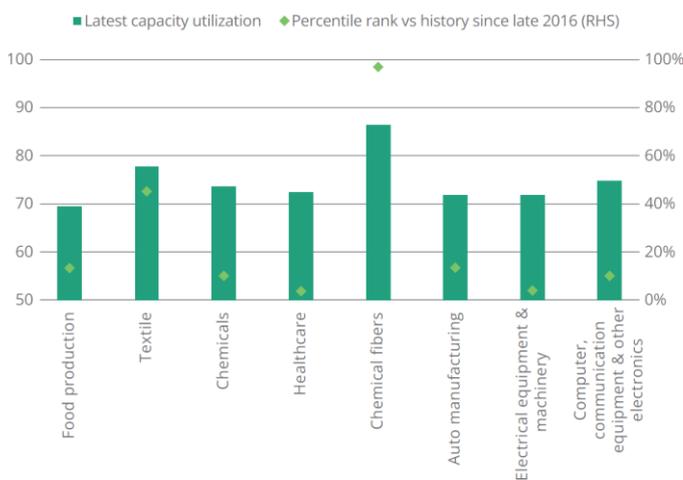
China also recorded trade increases with more than 190 countries and regions, while the number of trading partners exceeding US\$50 billion in bilateral trade reached 61, five more than a year earlier. Trade with Africa and Central Asia grew 14.4% and 13.8%, respectively. Moreover, outbound direct investment has risen faster than exports since 2023, increasing 7.0% year-on-year during January–October 2024, underscoring Chinese enterprises’ shift from “Made in China” to “Made Globally” to better navigate a multipolar trade environment.

Chart 2 – Major policies of “15th Five-Year Plan” and some of the sectors that may be benefited from

Policy Direction	Market Implications	Selected Potential Beneficiary Sectors
Building a Modernised Industrial System	China will accelerate industrial upgrading and the rollout of new industries, increasing demand for manufacturing, equipment, and capital goods	Machinery / Heavy Industry / Advanced Manufacturing, High-End Equipment, Robotics, Automation Equipment, Specialized New Materials
High-Level Technological Self-Reliance	Shift from export-oriented growth to "independent innovation + localization + supply-chain security," creating structural investment opportunities	Semiconductors / Chips, Electronic Components, Industrial Software / System Integration, Data Infrastructure, Cloud Computing / AI Infrastructure, Domestic Software and Operating Systems
Emerging and Future Industries	Companies with strong technological reserves and first-mover advantages may see rapid growth and valuation re-rating opportunities	New Energy (Hydrogen / Fusion Energy / New Materials), Quantum Technology / Quantum Communications, Aerospace / Aviation, High-End Pharmaceuticals / Biotechnology, 6G / Communications Equipment
Deepening Integration of "Technology, Industry, and Education / Talent"	The government will continue to invest in R&D funding and talent development, strengthening the ability to commercialise foundational research	R&D-intensive Technology Firms, University / Research Institution Collaboration Projects, Companies with Concentrated High-End Technical Talent, Innovation-Driven Technology Enterprises
Expanding Openness and International Cooperation	Companies with global vision and growth potential may accelerate expansion through technology partnerships, capital inflows, and market development	Biotechnology / Medical Devices, Communications Equipment, Technology Services, Internationalised Technology Enterprises

Source: State Council, Value Partners, December 2025

Chart 3 – Capacity utilization of respective industries in China



Source: Value Partners, December 2025

Chart 4 – Trend of China's GDP, exports, and outbound direct investment



Source: Value Partners, December 2025

Equity Market Outlook

Hong Kong

We think that Hong Kong's comeback since 2024 has become apparent in a robust financial market, a stabilising property market, and inflows of capital and talent, while equity valuations are undemanding vs. history and regional peers. Despite 33% 11M25 return, the MSCI HK index is still trading below its 10-year average PE of 16x.

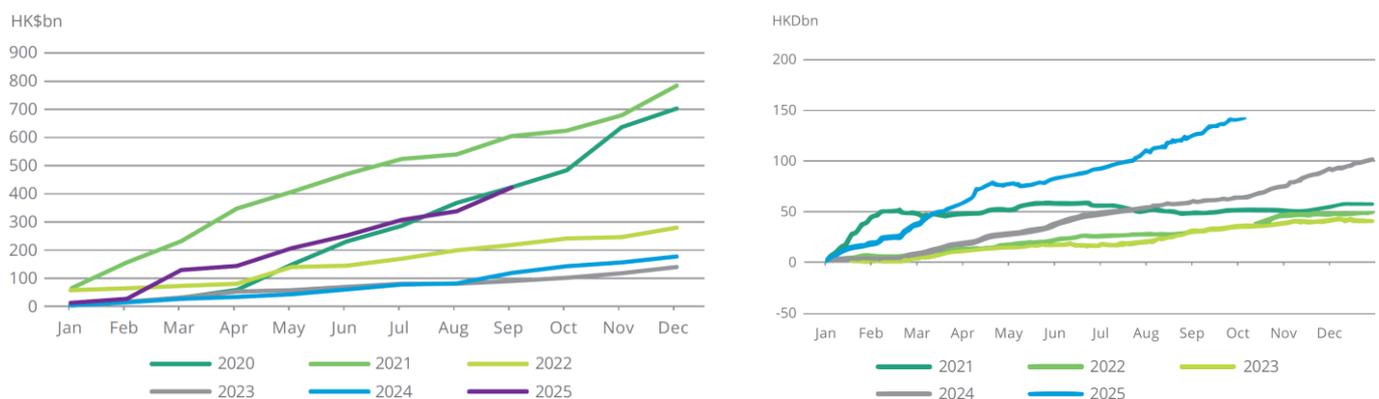
We also believe that the positive external factors that boosted HK equity markets in 2025, notably the Fed interest rate cut and eased US-China trade tensions, will sustain into 2026. Locally in HK, we have also observed macro recovery - Hong Kong's GDP has been expanding for 11 consecutive quarters and accelerated to 3.8% in 3Q25, the strongest in the past 1.5 years. HK retail sales have resumed growth since June 2025 and have accelerated recently, especially for luxury and discretionary goods, thanks to improved consumer sentiment as well as some wealth effect. In addition, PMI and exports are also in expansionary territory.

We believe that HK's macro recovery will continue. In particular, we think HK's residential property market has reached a key inflection; lower US interest rate and improved consumption power will further support HK's developers and landlords.

Hong Kong's status as a global financial hub has been reinforced, with a sustained inflow of global wealth and institutional capital. The HK stock market average daily trading volume has recovered to nearly twice the level of 2024, along with market sentiment recovery after the 2021-2024 bear market. In 9M25, Southbound inflows to HK hit a record HK\$1.17trn, ~2.2x the level of 2024 over 9M24.

Lastly, Hong Kong became the world's top IPO destination this year - in 10M25, a total of HK\$216 billion was raised via IPO on HKEX, more than the last 3 years combined. In our view, HK will remain a critical "stepping stone" for Chinese corporates to raise capital and go overseas. We remain constructive on the HK IPO and its positive spillover impact on financial markets, based on the strong pipeline of high-quality names to be listed, as well as the convenience of HKEX over US and China onshore exchanges in terms of policy and flexibility.

Chart 5 - HK's equity financing keeps surging (left); Accumulative Southbound inflows per year (right)



Source: Value Partners, December 2025

Equity Market Outlook

Korea

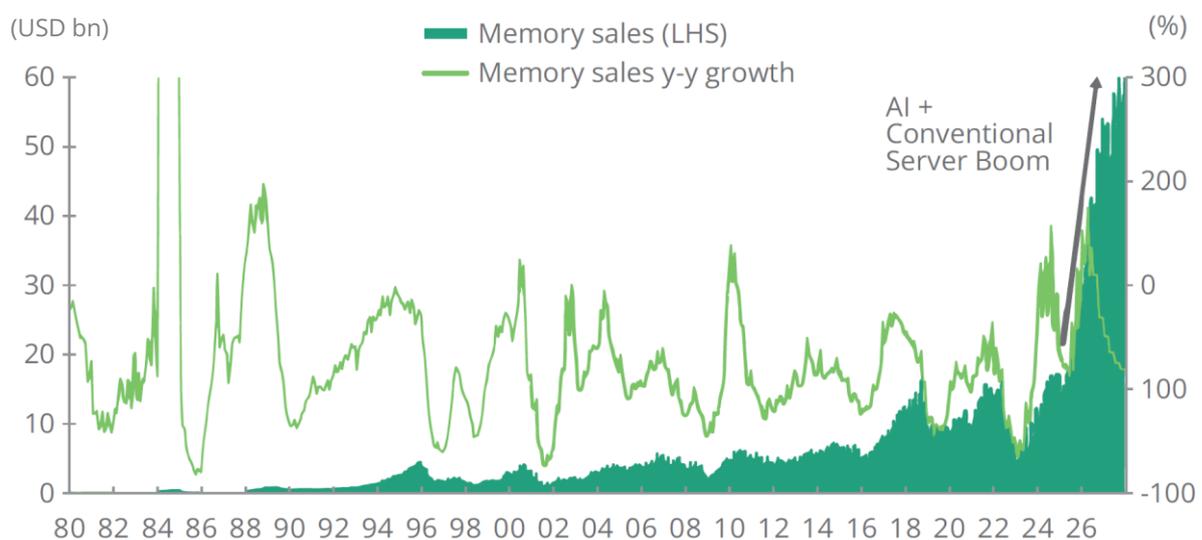
We believe that Korea's equity market remains attractive into 2026, led by a semiconductor super-cycle and reinforced by ongoing capital market reforms that can drive a long-term re rating.

The KOSPI's next leg higher is expected to be driven by an unprecedented triple super cycle across DRAM, NAND and HBM, with global memory sales projected to almost double again in 2026, underpinning strong earnings growth for Korea's leading memory names. Capacity additions remain disciplined, with effective DRAM and NAND supply growth constrained until at least mid 2027, due to cleanroom constraints in key memory suppliers' facilities, suggesting that the current upcycle in memory pricing and profitability can be sustained well into 2026 and beyond. This dynamic not only bolsters pure-play memory makers but ripples through the ecosystem, benefiting materials, components, and equipment vendors.

Complementing semis, Korea's "Value-Up" reforms echo Japan's success, targeting higher multiples via Commercial Act revisions: expanded minority shareholder protections, electronic shareholder meetings, cumulative voting for major listed firms, independent directors, and an expected mandatory treasury share cancellation. These curb governance discounts across the market, especially for holding companies and preferred shares, while tax incentives, such as dividend income tax cuts for firms with higher dividend payouts or rising ratios, boost returns alongside Capital Markets Act changes (e.g., M&A tender offers).

At the same time, domestic liquidity support- such as potential increases in the National Pension Service's domestic equity allocation and the KRW 150 trillion National Growth Fund - can provide a stable local bid for Korean equities, reinforcing the case for a mid to long term re rating alongside improving ROE and earnings visibility.

Chart 6 – Memory sales and sales growth: super-cycle throughout 2026 and 2027



Source: Value Partners, December 2025

Equity Market Outlook

Taiwan

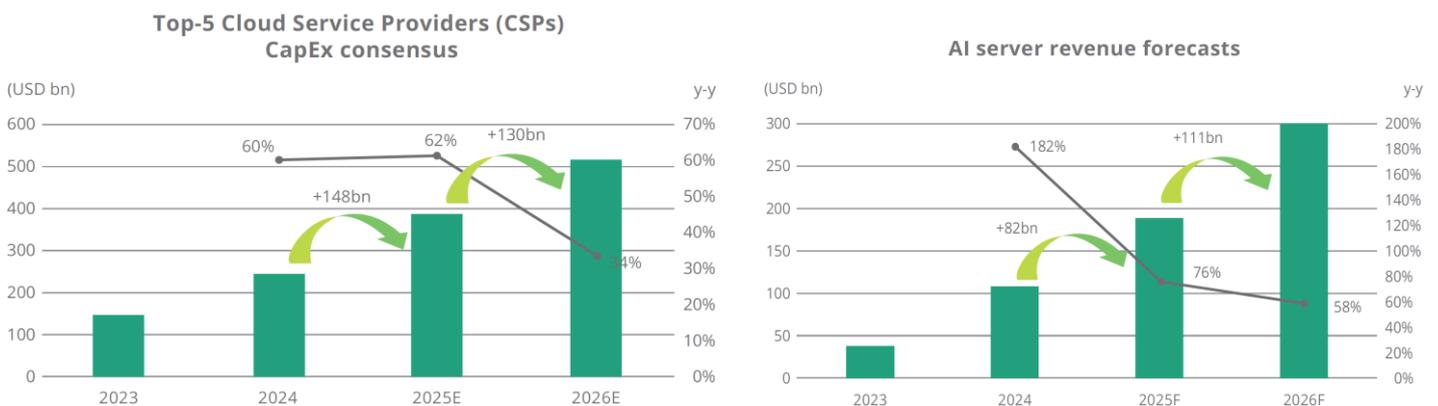
Given that global data-center capital expenditures are expected to continue expanding rapidly into 2026, alongside the accelerated development and commercialization of AI applications, we believe the Taiwan equity market will remain driven by the AI supply chain and will continue to serve as a key structural investment theme next year. We are particularly focused on Taiwan’s central role across multiple critical segments, including wafer foundry, advanced packaging and testing, power-management systems, printed circuit boards, thermal solutions, and downstream server assembly, which positions local companies as indispensable suppliers.

As chip and system architectures upgrade, the value of related products and services is poised for exponential growth. We will continue to identify companies with clear competitive advantages and strong execution capabilities within these supply chains, seeking opportunities where valuations have yet to fully reflect long-term potential. At the same time, we remain mindful of various risks, including value migration during product upgrade cycles, shifts in market share, and evolving competitive dynamics. We also monitor whether corporate AI investments can meaningfully accelerate revenue growth or lead to margin improvement.

Separately, we note that consumer-electronics-related businesses within the technology sector may face headwinds from rising raw-material costs and soft global consumption. We will evaluate carefully whether this segment can benefit from AI-driven or other next-generation product cycles that may help revive demand.

Overall, as growth drivers continue to shift from consumer electronics toward cloud data centers, Taiwan’s industrial profitability profile and value proposition are undergoing structural improvement, expecting to persist into 2026. Therefore, despite the Taiwan equity market having already experienced a three-year upcycle, we maintain a cautiously constructive outlook for the year ahead.

Chart 7 – CapEx consensus of leading CSPs; AI server revenue forecasts



Source: Bloomberg, Nomura Research

Equity Market Outlook

Japan

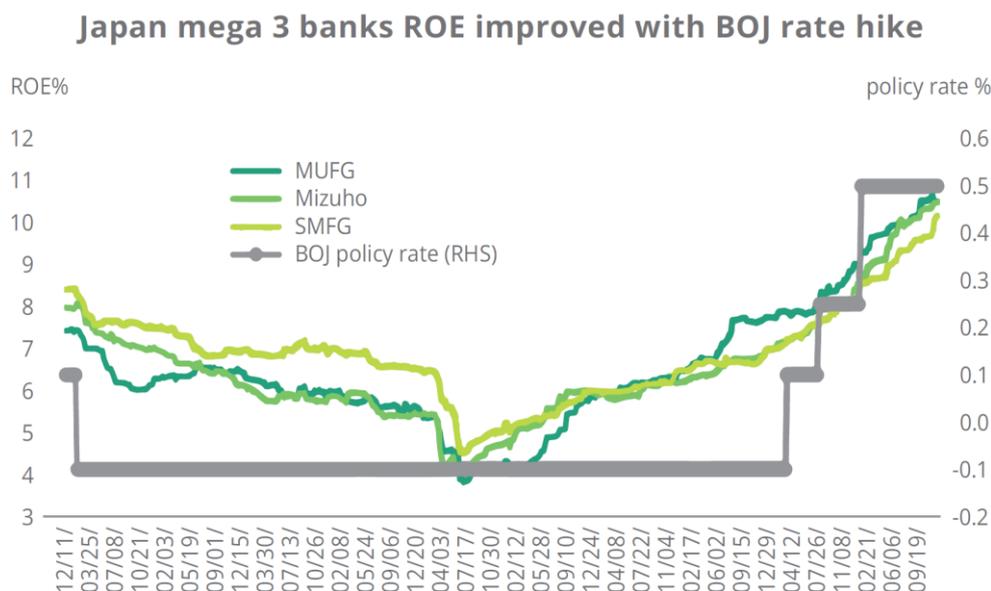
We believe Japanese equities are positioned to benefit from several positive catalysts heading into 2026. Under Prime Minister Sanae Takaichi’s administration and her proposed “Sanaenomics,” Japan may introduce more proactive fiscal support. At the same time, moderating inflation pressures and the possibility that the Bank of Japan could pause rate hikes in the first half of next year should help maintain monetary-policy stability.

We expect solid corporate capital expenditure and resilient consumer spending to drive domestic demand in 2026. A continued depreciation of the yen, combined with an eventual recovery in external demand once global markets adjust to U.S. tariff pressures, would further support Japan’s export-oriented sectors. In addition, ongoing corporate-governance reforms should continue to unlock shareholder value through higher dividends and increased share buybacks. We believe sustained earnings growth and structural reforms will underpin constructive investor sentiment towards Japanese equities.

Takaichi’s fiscal stance is also likely to benefit sectors such as defence, nuclear energy, and technology, particularly as she has pledged to step up investment in artificial intelligence, semiconductors, quantum computing, space technologies, advanced healthcare, and cybersecurity. Meanwhile, a higher interest-rate environment would enhance profitability for banks and other financials, supporting returns on equity and valuation expansion.

Notably, Japanese investors, traditionally conservative and cash-heavy, are gradually shifting toward risk assets. A key driver is the expanded tax-free investment allowance under the Nippon Individual Savings Account (NISA) programme, which has become increasingly appealing to younger, financially literate investors. We believe this structural shift in investor behaviour, together with the continued progress in corporate reform, will further strengthen the appeal of Japanese equity assets.

Chart 8 – The rate hikes by Bank of Japan could potentially improve the ROE of Japanese banks



Source: Value Partners, December 2025

Equity Market Outlook

India

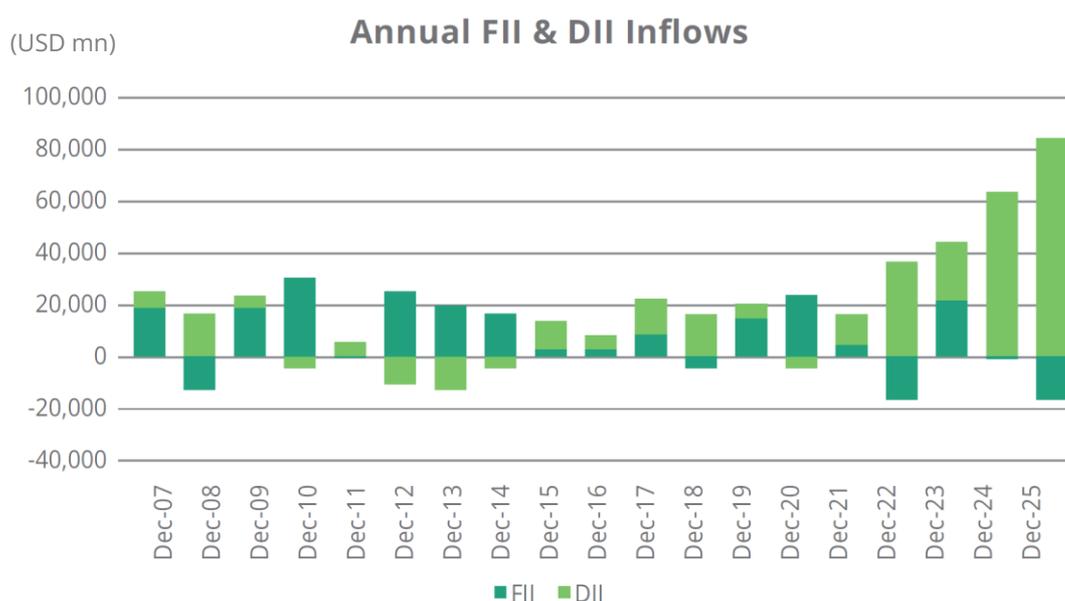
While investors are focusing on the potential risks arising from elevated global equity valuations, the Indian stock market enters 2026 with significantly improved risk-reward after a sharp 2025 underperformance. Valuations remain relatively rich compared with emerging markets, but this gap has narrowed materially from its peak, and many 2025 headwinds, such as prolonged earnings downgrades, peak FII outflows, and worst-case tariff fears, now appear largely priced in or are showing early signs of reversal.

Political continuity, ongoing structural reforms (GST simplification, deregulation, infrastructure push), and India’s favourable positioning for medium-term supply-chain diversification further bolster the outlook. Nevertheless, absolute valuations remain elevated relative to ordinary corporate fundamentals, FII ownership is at multi-year lows, and fresh corporate fund-raising (IPOs/QIPs) could cap near-term upside. Sector leadership is likely to remain concentrated in areas offering visible earnings momentum and reasonable relative valuations.

With negative factors increasingly reflected in prices and several positive catalysts on the horizon, we anticipate Indian equities will regain investor attention through 2026. Early evidence is already visible: domestic mutual fund inflows remain robust over US\$4 billion per month, earnings revisions have stabilised, high-frequency data show rural demand resilience and nascent urban recovery, while the US-India trade talks in December also pose further optimism, as of writing.

On the policy front, the Reserve Bank of India delivered another 25 bp rate cut in December, bringing the terminal policy rate to 5.25%, preserving accommodative financial conditions. Combined with around US\$70 billion of consumption-supportive fiscal stimulus over FY26–27E, accelerating bank credit growth (12–13% YoY), stable asset quality, and continued public capex in infrastructure and defence, the macro backdrop remains supportive of a domestic-demand-led recovery.

Chart 9 – India’s Domestic Investor Inflows (DII) offsetting impact of tepid Foreign Investor Inflows (FII)



Source: Citi Research, Bloomberg, December 2025

Equity Market Outlook

Southeast Asian Markets (ASEAN)

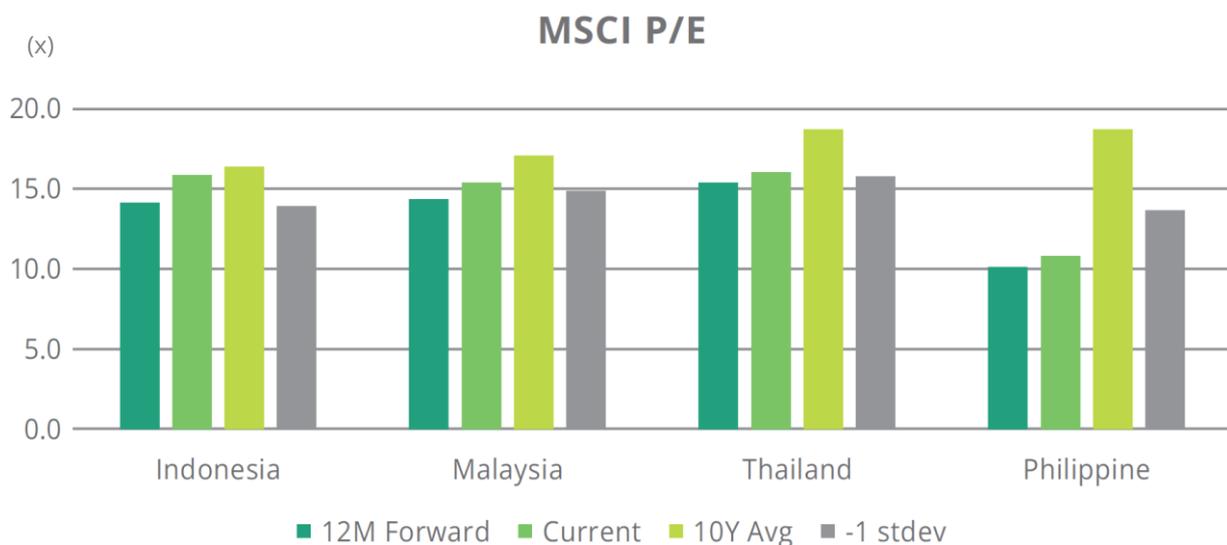
While investors are focusing on the potential risks arising from rising valuations of global equities and risk assets, the overall valuations of Southeast Asian (ASEAN) stock markets remain at attractive levels. Admittedly, the specific risk factors in different markets within the region, coupled with their greater susceptibility to external economic influences, are key reasons for their persistently low valuations.

However, with many negative factors already priced into the market, we anticipate Southeast Asian equities may regain investor attention and even favor next year. In fact, early signs indicate capital is beginning to flow back into specific regional markets, including Indonesia, reflecting a gradual stabilization of investor sentiment from extreme caution.

Regarding Indonesia's stock market, the Ministry of Finance has injected liquidity into the financial system in 2H25, addressing the tight liquidity in the banking system, easing the cost of funds for banks. Although social and political tensions persist, we are observing increased fiscal impulse in Indonesia; we believe investor risk appetite toward Indonesian equities is likely to gradually improve.

In the Philippines, political uncertainty stemming from corruption cases remains a market focus. However, the appointment of the highly regarded former finance minister to a key position is expected to enhance policy continuity and investor confidence in the local market. Nevertheless, as the weighting of the Philippine stock market continues to decline across various market benchmark indices, some large institutional investors may choose to further reduce their holdings or even abandon their positions, creating medium-term pressure on the local stock market.

Chart 10 – ASEAN equity markets remain low in valuation



Source: MSCI, Value Partners, December 2025

Bond Market Outlook

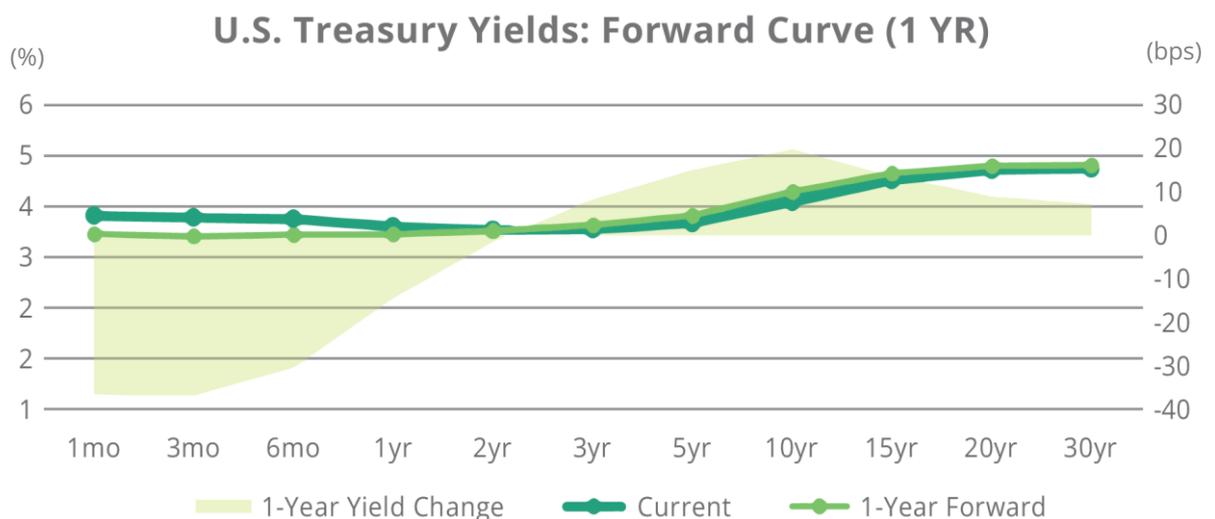
We believe there is some room for the Federal Reserve to cut rates further next year, though the overall pace may be more moderate than previously expected by the market. A gradual easing cycle should support continued investor demand for income-seeking assets, including bonds.

In the near term, monetary policy will hinge on inflation trends and growth dynamics. Over the medium to longer term, the "One Big Beautiful Bill Act," productivity gains from AI, and targeted fiscal measures could help contain inflationary pressure and foster sustainable growth. This shall provide the Fed greater headroom to maintain an overall accommodative condition.

Beyond the US, most central banks in Asia also have scope to lower interest rates. An overall easing environment, combined with a stable growth outlook and easing trade tension, provides a constructive backdrop for Asia bonds. Key drivers supporting resilient credit spreads into 2026 include lower US rates and resilient fundamentals, and improved sector diversification.

In terms of investment allocation, we will continue to seek opportunities across investment-grade and high-yield bonds within the Asian region. All-in yields for investment-grade bonds remain attractive despite the anticipated rate cuts. We favour the short-to-mid part of the yield curve (2 to 7 years) to balance potential decline in short-term rates against the long-term steepening risks driven by fiscal and inflation concerns. Meanwhile, Asia high-yield valuations remain supported by sector diversification and stable fundamentals, offering selective opportunities and yield pick-up over the US.

Chart 11 – U.S. Treasury Yields: Forward Curve (1 YR)



Source: Value Partners, December 2025

Gold Market Outlook

Gold's rally in 2025 was remarkable not only for its magnitude but also for the breadth of its drivers, with prices surging more than 60%. Heightened geopolitical and geoeconomic uncertainty, a weaker US dollar, easing monetary policy expectations, strong price momentum, record investment inflows, and sustained central bank buying all contributed in relatively balanced measure. This diversified support base underlines gold's resilience, and we believe the metal is entering 2026 from a position of structural strength rather than speculative excess.

Macroeconomic Support:

The gold's trend depends on how the macroeconomic story unfolds. Escalating geopolitical tensions, trade fragmentation, or a synchronized global slowdown could lead to gold's safe-haven appeal dominating. As growth slows modestly, labour markets soften, and risk appetite fades, the Fed would likely cut rates more aggressively. Lower real yields, a weaker dollar, and rising risk aversion would be moderately supportive for gold. The most bearish outcome of assuming policy success, particularly in the US, leading to stronger growth, rising inflation, higher yields, and a firmer dollar, gold prices may enter a consolidation phase as opportunity costs rise and investors rotate back into risk assets. Yet even here, downside risks appear buffered by opportunistic buying, structural central bank demand, and gold's continued role as portfolio insurance.

Central Banks Demand:

Central bank gold purchases have been a major catalyst for the current bull market. Despite three consecutive years of purchases exceeding 1,000 tonnes, official sector demand is expected to remain elevated in 2026. With emerging market central banks still holding relatively low gold shares in their reserves, the structural trend of diversification away from their US dollar-heavy reserves has further to run. Even modest increases in reserve allocations could translate into hundreds of tonnes of additional demand, providing a durable price floor to gold.

Investment Demand:

ETFs are likely to remain a key driver, particularly as Fed easing lowers the opportunity cost of holding gold, and as investors seek diversification amid elevated stock-bond correlations. Notably, gold still accounts for only about 2.8% of global investor assets under management, leaving scope for further allocation toward a 4-5% share over time. Asia adds another layer of support on gold with rising ETF adoption, institutional interest from insurers and pension funds, and continued retail demand in China, India, and Japan, all point to structurally higher regional demand, even at record prices. At the same time, gold miners' relatively lagging valuations may attract investors seeking leveraged exposure to the gold theme.

While the extraordinary pace of gains seen in 2025 is unlikely to be repeated, gold in 2026 appears well supported by structural forces: Fed easing, persistent geopolitical risk, elevated global debt, central bank diversification, and expanding investor participation. Even in less favorable conditions, we believe gold's role as a diversifier, debasement hedge, and store of value will remain a strategic asset in an increasingly volatile global landscape and should sustain its bull run into 2026 and beyond.

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