

C.I.A. NETWORK

Asset Strategy in Brief

January 2026



BNP PARIBAS
WEALTH MANAGEMENT

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Macro and market views



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Macro and Market Views

	Macro		<ul style="list-style-type: none"> – Q1 2026 tax refunds promise to be stronger than usual thanks to tax cuts on the 2025 One Big Beautiful Bill Act (OBGBBA), boosting consumption. – In the eurozone, consumer confidence is being supported by lower ECB rates and rising house prices. The announced German stimulus plan should boost long-term potential growth. Chinese stimulus could bring positive surprises.
	Fixed Income	=	<ul style="list-style-type: none"> – Positive on UK gilts (12-month yield target is 4.3%). – Neutral on eurozone sovereigns and US Treasuries post rally; prefer shorter-term (2-5 year) maturities. US Fed Funds rate target 3.25%, ECB to maintain deposit rate at 2% at end-2026. – We see the US 2-year yield at 3.6% in 12 months, and the 10-year yield at 4.25%. Our 12-month target on the German 10-year bund yield is 2.75%.
	Credit	+	<ul style="list-style-type: none"> – We stay Positive on Credit given solid corporate balance sheets and cash flows, strong technicals, high carry and low volatility. We prefer intermediate maturities in the eurozone and in the US. – We continue to like EUR IG corporate bonds, and we stay Positive on UK IG corporates (offering a 5.3% average yield).
	Equities	+	<ul style="list-style-type: none"> – Positive on Equities on strong liquidity and lower rates, robust growth and earnings momentum. – Favour UK, Japan, China, Singapore, India, Brazil. Neutral on the eurozone and the US. – Positive on Health Care and Utilities. In the EU, we are Positive on Banks, Industrials and Mining. – Neutral on US Consumer Discretionary, Technology.
	Real Estate	=	<ul style="list-style-type: none"> – Demand for European real estate continued to improve in Q2 2025, with investment volumes rebounding and rental yields now more attractive at 4.3%-5.0% for prime European commercial property segments. Residential property prices are also rising in Spain, Italy, Germany and the Netherlands. – Industrial/logistics exposure preferred for healthy yields, higher expected rental growth on robust underlying demand growth.
	Commodities	+/ -/+	<ul style="list-style-type: none"> – Gold: Positive thanks to continued central bank and retail demand. – We have increased our 12-month target for gold to USD 5,000 and for silver to USD 80. – Positive view on strategic industrial metals, such as copper, aluminium and tin. – Negative stance on Oil, price range for Brent crude oil of USD 60-70 on weaker global oil demand, potentially higher non-OPEC oil & gas supply and an expected reduction of OPEC+ production quota cuts in 2025.
	Currencies		<ul style="list-style-type: none"> – The prospect of weaker US growth, a lower Fed Funds rate and the return of capital flows from the US back to Europe/Middle East/Asia could lead to a weaker US dollar. – EUR/USD 3-month target USD 1.16; 12-month target USD 1.24 (value of one EUR).

Asset Allocation

Allocation changes this month:

- ☐ Equities: No change
- ☐ Bonds: No change
- ☐ FX: No change
- ☐ Commodities: We increase our 12-month target for gold to USD 5,000 per ounce and return to our Positive view. Our target for silver is now USD 80 per ounce, but we will await better entry opportunities.
- ☐ Alternative Investments: No change

Outlook Summary					
	Very underweight	Underweight	Neutral	Overweight	Very Overweight
Equities				+	
Government Bonds			=		
Corporate Credit				+	
Real Estate			=		
Alternatives				+	
Cash		-			

Key macro & market forecasts

	GDP Growth %			Inflation %			Central Bank Rates %				Key market forecasts		
	2025e	2026e	2027e	2025e	2026e	2027e		Now	3M	12M		Now	12M
US	1.9	1.9	1.8	2.8	3.1	2.6	US Fed Funds Rate	3.75	3.50	3.25	US 10Y yield %	4.20	4.25
Eurozone	1.5	1.6	1.6	2.1	1.9	2.1	ECB Deposit Rate	2.00	2.00	2.25	Euro 10Y yield %	2.90	2.75
Japan	1.4	0.7	0.8	3.2	2.1	2.6	Bank of Japan Policy Rate	0.75	0.75	1.25	UK 10Y Yield %	4.50	4.30
UK	1.4	1.1	1.3	3.4	2.6	2.2	Bank of England Base Rate	3.75	3.50	3.25	S&P 500	6858	n/a
China	5.0	4.7	4.5	-0.1	0.9	1.0	China 7D reverse repo rate	1.40	1.30	1.10	Euro STOXX 50	5850	n/a
											Oil Brent USD/bbl	60	60-70
											Gold USD/oz	4322	5000

Source: BNP Paribas WM. As at 5 January 2025

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Fixed Income

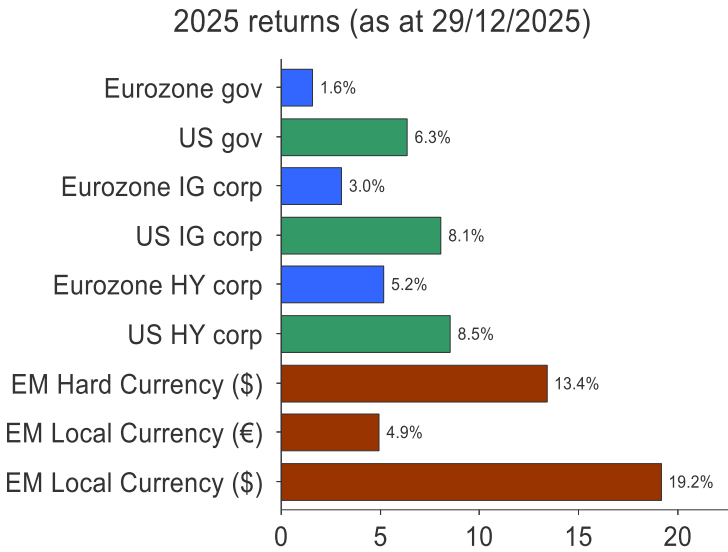


Fixed Income at a glance

2025 was driven by EM outperformance and record global credit gross issuance, which investors readily absorbed amid robust demand for yield.

In 2026 we expect the Fed and the BoE to cut rates, the ECB to hold, and the BoJ to raise rates. In government bonds we prefer gilts and US TIPS, and we also like US MBS. In credit we favour EUR and GBP IG over stretched US valuations. EM local bonds and convertible bonds remain attractive in our view.

10-year yield	29/12/2025	12-month target
US	4.11	4.25
Germany	2.83	2.75
UK	4.49	4.30



Source: LSEG Datastream, JPM and BofA indices, 30/12/2025

Central Banks

We see the Federal Reserve as split on policy but do expect two 25bp cuts in 2026 and a terminal rate at 3.25%. We view the ECB as being in a wait-and-see mode and we anticipate it will hold rates throughout 2026 and hike only in September 2027 as inflation stays near 2%.

Corporate Investment Grade (IG) Bonds

2025's bond scarcity helped US markets. Scarcity ends in 2026 as hyperscalers fund AI/cloud. EUR IG supply stays manageable, GBP IG goes negative. Favour EUR and GBP IG over USD IG.

Government Bonds

We stay Neutral on US and German government bonds, favouring maturities of less than five years. Avoid long-dated German, French and Dutch bonds in January because of the Dutch pension reform. We prefer US TIPS and UK gilts.

Corporate High Yield (HY) Bonds

Valuations are stretched, with spreads near historical lows. They are likely to widen modestly in 2026. As all-in-yields stay high, we hold a Neutral view on HY bonds at index level.

Periphery bonds

The periphery is no longer what it used to be. Tangible progress has been made on public finances and debt sustainability, and spreads to Bunds have significantly compressed. We hold a Neutral stance on periphery bonds, forecasting limited spread tightening.

Emerging Market (EM) Bonds

We remain Positive on EM local currency debt, given elevated yields, EM central banks' capacity to cut rates and expected USD weakness. We are Neutral on EM hard currency bonds, as valuations are very compressed.

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Currencies



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Currencies at a glance

- 1. **EUR/USD:** We still assume that further softening in US labour market data and falling inflation pressures should prompt the Fed to deliver more rate cuts. This should weigh on the dollar. Meanwhile, the eurozone's growth outlook is improving, underpinned by consistent upside data surprises, which may support near-term EUR strength. **The movement should be gradual. Therefore, our 3-month target is 1.16 and our 12-month target is 1.24 (value of one EUR).**
- 2. **EUR/GBP:** Overall, we do not expect UK fiscal policy to provide a meaningful boost to growth in the near term. Inflation and wage data suggest more weakness. We continue to see scope for further BoE easing, narrowing the policy-rate differential between the BoE and the ECB. Most factors, however, seem to be priced in at this stage. **Therefore, we maintain our 3- and 12-month EUR/GBP targets at 0.87 (the value of one euro). This suggests no major trend over the coming months.**



>> **TARGET 12M EUR/CHF: 0.94**

The SNB held its policy rate at 0.0% in December. We see scope for the euro to be supported by improving growth prospects in the euro area, following recent fiscal shifts. The SNB is unlikely to withstand currency weakness in this context. At the same time, continued demand for defensive currencies should limit any downside for the CHF. **We maintain our 3- and 12-month EUR/CHF targets at 0.94 (value of one EUR).**



>> **TARGET 12M AUD/USD: 0.68**

The RBA kept its policy rate unchanged at 3.6% in December. Equity market performance, favourable interest rate differentials, and stronger commodity demand are expected to provide further tailwinds for the AUD. **Our 3-month AUD/USD target is 0.66 and our 12-month target is 0.68 (value of one AUD).**



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>> **TARGET 12M USD/CNY: 7.00**

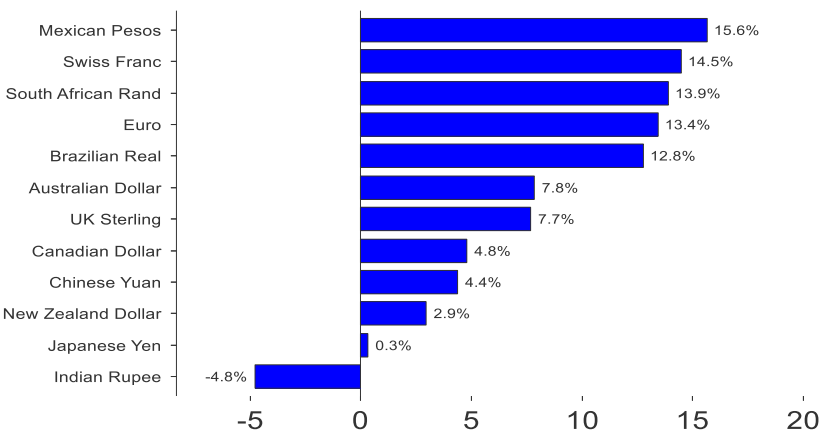
The PBoC left its policy rate unchanged in December. The PBoC has been gradually setting the USD/CNY fixing lower. This approach suggests a preference to maintain relative currency stability against the USD, while allowing for a gradual and moderate RMB appreciation over time. **We have changed our 3- and 12-month targets to 7.00 (value of one USD).**



>> **TARGET 12M USD/JPY: 148**

The BoJ raised its policy rate from 0.50% to 0.75% in December. We still see some potential for a moderate fall in USD/JPY (value of one USD) next year, driven primarily by Fed rate cuts while the BoJ should hike further. **Therefore, our 3-month target is 152 and 148 for the 12-month horizon (value of one USD). This suggests a moderate upside for the yen.**

Currencies against the dollar
Percentage change, YTD, 31/12/2025



Source: LSEG Datastream, 31/12/2025



>> **TARGET 12M EUR/SEK: 10.70**

The Riksbank kept its policy rate at 1.75% in December. The recovery is expected to gain momentum in 2026, underpinned by expansionary fiscal measures and targeted household support. Combined with a lower interest rate environment, these policies should support a more favourable medium-term growth trajectory. **Our 3-month target is 11 and our 12-month target is 10.7 (value of one EUR).**



>> **TARGET 12M USD/MXN: 18**

Banxico lowered its policy rate by 25bps to 7% in December. The peso should remain resilient due to the high-interest rate differential but underperform EM peers due to the sensitivity to the US economy and USMCA risks. **Our 3-month USD/MXN target is 18.4 and our 12-month target is 18 (value of one USD).**

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Currencies at a glance

FX FORECASTS EUR

	Country		Spot 07/01/2026	Trend	Target 3 months (vs. EUR)	Trend	Target 12 months (vs. EUR)
	United States	EUR / USD	1.17	Neutral	1.16	Negative	1.24
	United Kingdom	EUR / GBP	0.87	Neutral	0.87	Neutral	0.87
	Japan	EUR / JPY	183.16	Positive	176	Neutral	184
	Switzerland	EUR / CHF	0.93	Neutral	0.94	Neutral	0.94
	Australia	EUR / AUD	1.74	Neutral	1.76	Negative	1.82
	New-Zealand	EUR / NZD	2.02	Positive	1.93	Negative	2.07
	Canada	EUR / CAD	1.61	Neutral	1.60	Negative	1.67
	Sweden	EUR / SEK	10.73	Negative	11.00	Neutral	10.70
	Norway	EUR / NOK	11.78	Neutral	11.60	Positive	11.30
Asia	China	EUR / CNY	8.17	Neutral	8.12	Negative	8.68
	India	EUR / INR	105.09	Positive	102.08	Negative	109.12
Latam	Brazil	EUR / BRL	6.31	Neutral	6.26	Negative	7.07
	Mexico	EUR / MXN	20.97	Neutral	21.34	Negative	22.32

Source: BNP Paribas, LSEG

FX FORECASTS USD

	Country		Spot 07/01/2026	Trend	Target 3 months (vs. USD)	Trend	Target 12 months (vs. USD)
	Eurozone	EUR / USD	1.17	Neutral	1.16	Positive	1.24
	United Kingdom	GBP / USD	1.35	Neutral	1.33	Positive	1.43
	Japan	USD / JPY	156.69	Positive	152.00	Positive	148.00
	Switzerland	USD / CHF	0.80	Neutral	0.81	Positive	0.76
	Australia	AUD / USD	0.67	Neutral	0.66	Neutral	0.68
	New-Zealand	NZD / USD	0.58	Positive	0.60	Positive	0.60
	Canada	USD / CAD	1.38	Neutral	1.38	Positive	1.35
Asia	China	USD / CNY	6.99	Neutral	7.00	Neutral	7.00
	India	USD / INR	89.90	Positive	88.00	Positive	88.00
Latam	Brazil	USD / BRL	5.39	Neutral	5.40	Negative	5.70
	Mexico	USD / MXN	17.94	Negative	18.40	Neutral	18.00
EMEA	South Africa	USD / ZAR	16.46	Negative	17.25	Negative	17.00
	USD Index	DXY	98.68	Neutral	98.95	Negative	93.34

Source: BNP Paribas, LSEG

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Equities



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New tops to end 2025

Equity markets have reached new highs

- **As we had expected, December was a relatively good month.** Major equity indices set new records. The rally was supported by favourable macroeconomic indicators and by rate cuts from several major central banks, including the US Federal Reserve.
- Interestingly, whereas US mega tech stocks were top performers earlier in 2025, **the equity markets have somewhat broadened over the last two months, with smaller companies now doing relatively better than large caps.**
- **Another bullish signal is the sector rotation observed since the end of September. Banks, Health Care and Basic Resources are Q4 outperformers.** We have long recommended overweighting EU banks, global health care and equities linked to precious metals, electrification and the energy transition, and we maintain this stance. See also our 2026 investment themes for further insights.
- **Stay Overweight EM Equities** - The prospect of steady economic growth, lower rates, and a softer dollar is a favourable backdrop for EM equities in general and Asian equities in particular. China (Tech) remains a key conviction as the perception about China stocks among international investors is changing from “uninvestable” to “unneglectable”.
- **We also maintain our Overweight position in Japanese equities,** supported by ongoing corporate governance reforms and improving economic prospects.

Main recommendations



Stay Neutral on US equities - With valuations already at elevated levels, we see no room for further multiple expansion. Non-USD-denominated investors might consider FX-hedged exposure.



Stay Neutral on EU equities - Earnings growth expectations might be too optimistic, and European equities are likely to remain a tale of two fates as FX headwinds should reoccur. We see little room for a further valuation re-rating.



We remain overweight global equities - The overall backdrop still supports equities, as global growth is solid while financial conditions remain supportive.

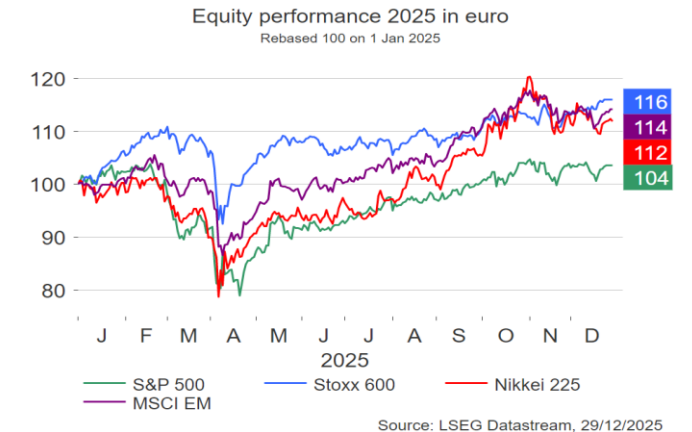


In December, the top-performing sectors were Basic Resources and Banks, driven by the steepening of yield curves and expectations of economic acceleration. **For the quarter, global Health Care led performance, while European Banks - one of our key 2025 recommendations - emerged as the standout sector for the year, delivering a +65.8% return as at 26 December.**

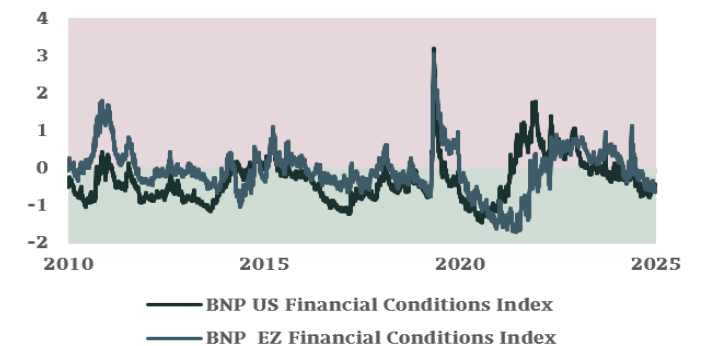


The key risk for global equities lies in the US labour-inflation dynamic. While unemployment indicators require close monitoring, an overly dovish Fed risks reigniting inflation. A stagflationary shock forcing rate hikes would represent a black swan scenario.

TOP PERFORMING EQUITIES (IN EUR) IN 2025 : EUROPE



FINANCIAL CONDITIONS ARE STILL SUPPORTIVE



Source: BNP Paribas, Bloomberg

Asian Equities view

ASIA COUNTRY PREFERENCE		
+	=	-
COUNTRY		
China India Singapore	South Korea Taiwan Indonesia	Thailand

- We remain Overweight on China A-shares and Hong Kong/China H-shares:** December 2025 signalled a definitive recovery, fuelled by a manufacturing rebound as PMI hit 50.1. Chinese leaders at the December CEC promised to maintain a "proactive" fiscal policy next year that would stimulate both consumption and investment to maintain high economic growth. On the monetary front, China will continue to flexibly and efficiently utilise various policy tools such as reserve requirement ratio cuts and interest rate cuts. The growth target was not revealed during the December meeting but is expected to be roughly 5%. Clearly, there is still room for more upside, as more savings could potentially flow into equity markets; valuations remain reasonable, and AI optimism remains intact. We continue to like the Chinese tech sector and high-dividend stocks in the HK/China financial and China telecom sectors.
- We stay Overweight on India:** the economy showcased a "Goldilocks" scenario of high growth and record-low inflation. Real GDP grew by 8.2%, propelled by robust private consumption and a resilient services sector. Although the Nifty 50 was up 10.5% for 2025, it underperformed global peers. Earnings in India could grow by 11% in the coming 12 months, while the gap with EM has compressed to below the long-term average. A trade resolution between the US and India could trigger a re-rating in the near term.

Stay Overweight on China and India

Global active funds have been increasing allocation to China, but still relatively low



Source: EPFR, Goldman Sachs Global Investment Research, as at 30 December 2025

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Commodities



Commodities at a glance

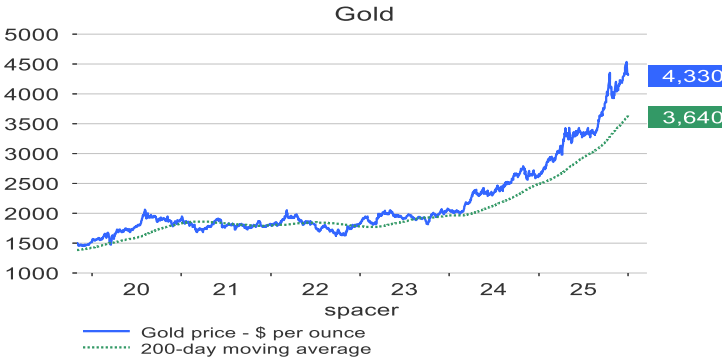
Precious metals extended their gains in December, thereby finishing this extraordinary year with one of the strongest performances ever. Over 2025, gold was up +70%, silver +160% and platinum +160%.

PRECIOUS METALS



We are increasing our 12-month target for gold to USD 5,000 and returning to our Positive view. Our target for silver is now USD 80, but we will await better entry opportunities.

Although some short-term correction is possible after the recent overbought situation, longer term we think precious metals will remain supported by the flight to real assets/safe-haven investments in the context of de-dollarisation and high geopolitical and financial uncertainties.

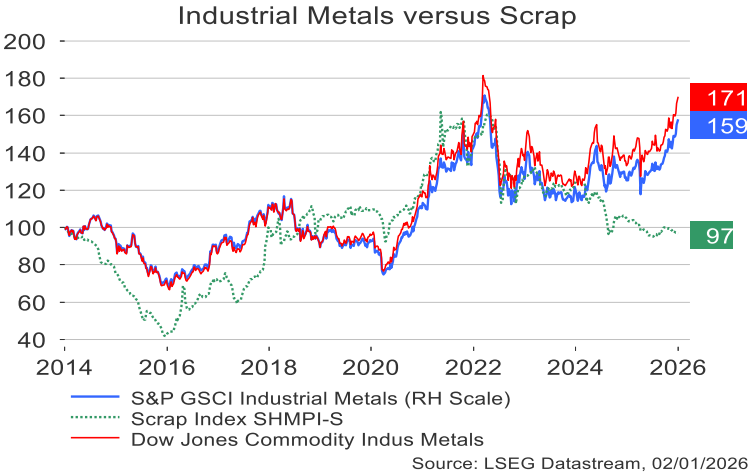


Industrial metals performed very well by year-end. Copper even accelerated its upward trend, hitting our target and a record high of USD 13,000, after which it corrected somewhat. Prices are supported by growing demand for energy transition and infrastructure, combined with supply disruptions. Copper (+40%) and tin (+50%) had a particularly strong year, followed by aluminium (+16%) and uranium (+12%), while iron ore, zinc, lead and nickel showed a more modest performance (1-3%).

INDUSTRIAL METALS



We maintain our Positive view, as we expect that growing demand for infrastructure and the energy transition will outpace expected supply growth. We further increase our 12-month target for copper (LME) to USD 14,000.

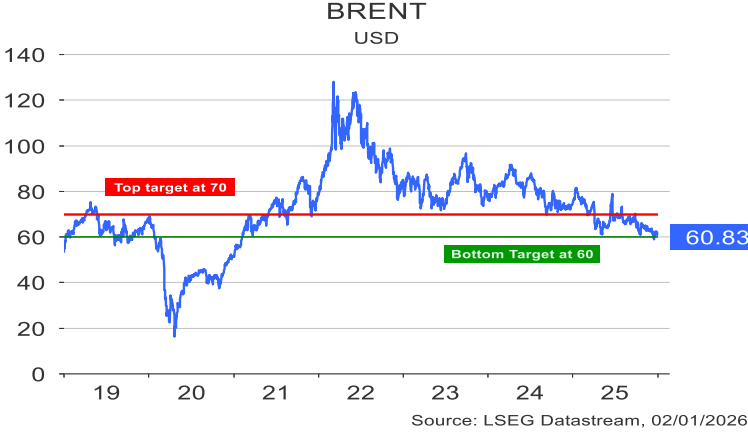


Oil prices: Despite geopolitical tensions and sanctions, oil prices declined by around 20% in 2025, due to rising overproduction.

OIL



We maintain our Negative view for the next 3 to 6 months, with the Brent price likely to fall below USD 60, before returning to a USD 60-70 range by the end of 2026. We expect oversupply in the next few months as OPEC+ has unwound almost half of its production cuts, alongside substantial non-OPEC supply growth, combined with limited demand growth.



Our position for this month

Evolution of our position from last month

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Alternative Investments



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Alternative Investments

Last month, all strategies recorded positive performance.

Over 2025, performance was strong overall, except for Macro. Long-Short Equity and Event Driven were the best performers.

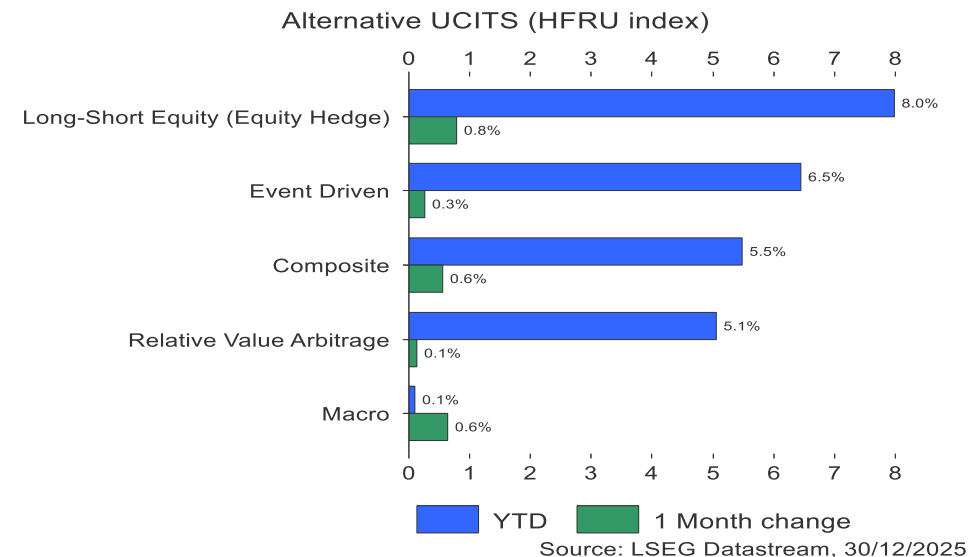
Positive opinion on Macro, Event Driven and Long-Short Equity.

Global Macro

- +** **Positive.** Despite global uncertainty, nimble macro managers have taken advantage of some clear outcomes (weaker dollar, curve steepening, etc.). Only macro managers are uniquely equipped to trade risk assets either long or short. Strategies mostly using futures & derivatives: provide “cash + alpha” returns, reducing the opportunity cost of holding cash.

Event Driven

- +** **Positive.** By the end of Q2, the deal volume started rebounding following relative clarity on tariffs. The value of announced US M&A is up 29% year-on-year, and the number of announced M&A transactions by 8% year-on-year. European corporate activity has been quite promising too. Under Trump’s “deal friendlier” appointed regulators, few M&A deals are now being challenged. The average IPO this year has returned 30% on its first day of trading.



Long/Short Equity

- +** **Positive.** Equity dispersion is high, between expensive and cheap stock: long and short stock-picking opportunities. A higher level of single stock volatility, resulting from tariff changes in particular, is positive for equity long-short active trading.

Relative Value

- =** **Neutral.** Corporate credit dispersion remains muted under well-bid-for credit markets in the search for yield, and with lower interest rates benefitting most issuers, including weaker ones, as long as the economy does not decelerate too much. Convertible bond arbitrage benefits from increased issuance, single stock volatility, and refinancing/liability management. Government bond relative value arbitrage benefits from diverging monetary policies & debt burden stress.



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