

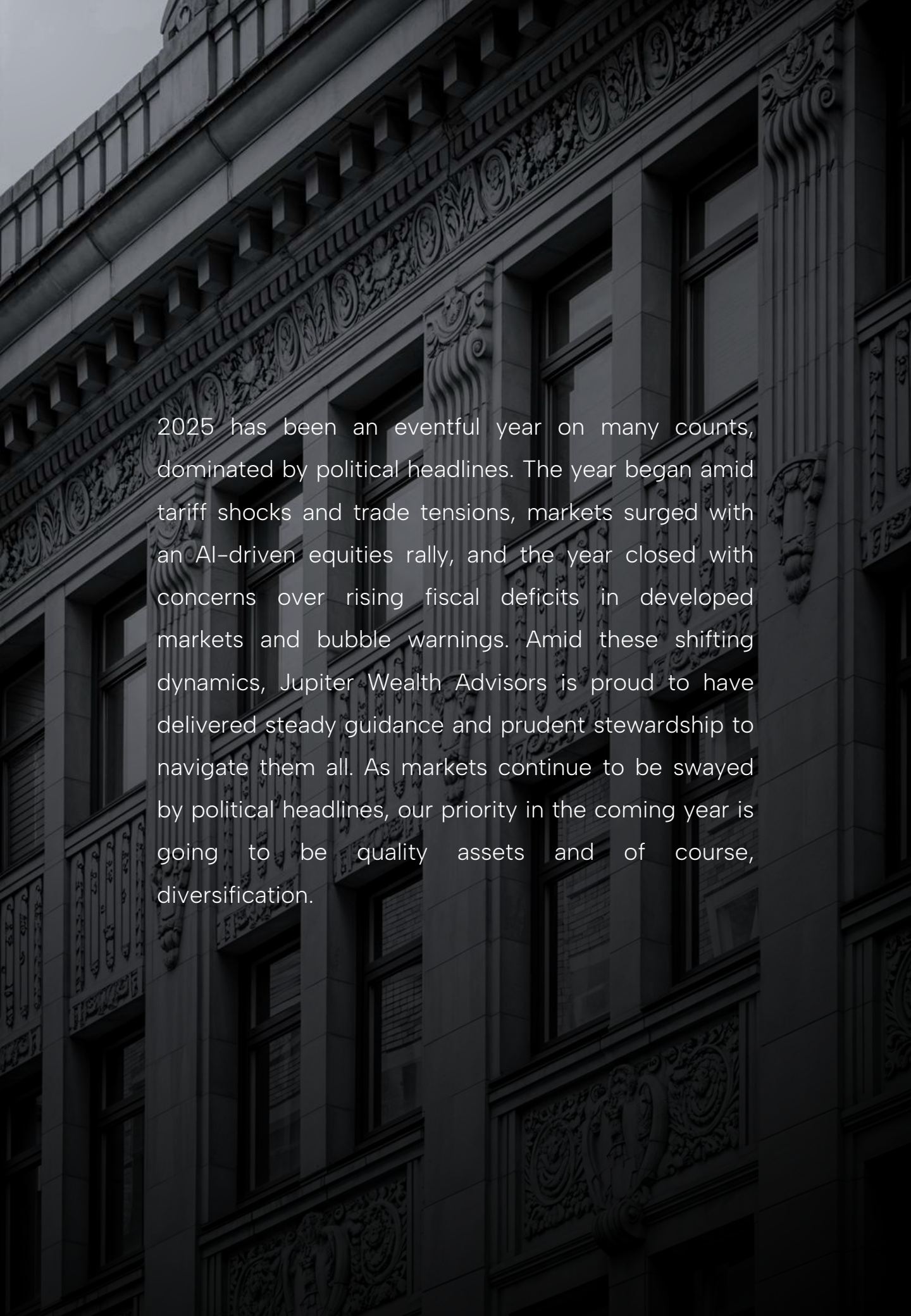


JUPITER WEALTH

Navigating 2026 with Jupiter

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2025 has been an eventful year on many counts, dominated by political headlines. The year began amid tariff shocks and trade tensions, markets surged with an AI-driven equities rally, and the year closed with concerns over rising fiscal deficits in developed markets and bubble warnings. Amid these shifting dynamics, Jupiter Wealth Advisors is proud to have delivered steady guidance and prudent stewardship to navigate them all. As markets continue to be swayed by political headlines, our priority in the coming year is going to be quality assets and of course, diversification.

Structural Themes for 2026

- **Fiscal–Industrial Policy as the New Anchor**

Public spending in developed markets on defense, infrastructure, energy and industrial policy will continue to underpin growth. The fiscal impulse increasingly offsets tighter financial conditions and elevated debt keeps term premia structurally relevant.
- **A Higher, More Volatile Inflation Regime**

Disinflation is likely to continue, but the pre-pandemic inflation dynamics are unlikely to return. In 2025, the supply shocks, geopolitics and labour constraints have created a two-sided inflation risk. This inflation volatility structurally reshapes asset allocation.
- **AI as a Multi-Year Capex Cycle**

AI investment in data centres, power, semiconductors and software remains a key driver for growth. Productivity gains are likely to be evidenced but could be uneven and delayed. Market outcomes hinge on the durability of the AI cycle.
- **Fragmentation Rewires Capital Allocation Towards Resilience**

Trade frictions and geopolitics favour a portfolio allocation that prioritises resilience over efficiency. Capital flows are likely to target infrastructure, power, defense and strategic supply chains. Regional and sector dispersion is likely to increase.
- **Market Dispersion Makes Beta Less Reliable**

Market concentration remains high even as dispersion rises. High quality balance sheets and pricing power will continue to be rewarded, and active allocation will continue to dominate broad beta strategies.

Cyclical Themes for 2026

→ Growth Slows, but Recession Not the Base Case

Analyst consensus views point to growth with a soft patch rather than a global downturn. The US remains the key swing factor.

→ Policy Eases Toward Neutral, Not Easy

In developed markets, central banks will continue to ease gradually as inflation cools. The direction of rates will continue to be data-dependent. The risk persists that central banks may execute fewer cuts than are currently being priced by the markets.

→ Disinflation with Regional Divergence

Inflation paths may diverge across regions, with faster disinflation in Europe, stickier inflation in the US, and low inflation across much of Asia. Services inflation and tariffs could slow the progress in some economies. Having said that, this divergence creates relative-value opportunities.

→ Carry Reasserts Itself

In 2026 we could expect fewer duration tailwinds than 2025, and income to become the dominant return driver. The curve positioning matters more than outright duration.

→ Differentiation dominates over Broad Trades

Non-US markets face improving policy tailwinds relative to the US, where growth resilience comes with valuation and rate constraints. The carry and quality credit opportunities are likely to outperform broad risk exposure relative to beta-driven equity and duration trades. Policy-credible Emerging Markets could outperform both weaker Emerging market peers and stretched developed market assets, as dispersion is likely to increase. Risk management and selectivity continue to be critical.

As the global economy moves from 2025 to 2026

Key parameters end of 2025:

Region	GDP	CPI	Unemployment Rate
US	2.00%	2.8% (Sticky Services Inflation)	4.30%
Eurozone	1.40%	2.1% (Easing Trend)	6.40%
UK	1.40%	3.4% (Easing Trend)	4.80%
Japan	1.20%	3.1% (Wage Driven Inflation)	2.50%
China	4.90%	0.5% (Disinflationary Bias)	5.20%

“

Global growth is projected to remain resilient at 3.3% in 2026 and at 3.2% in 2027. Headwinds from shifting trade policies are offset by tailwinds from surging investment related to technology, including artificial intelligence (AI), as well as fiscal and monetary support, broadly accommodative financial conditions, and adaptability of the private sector.”

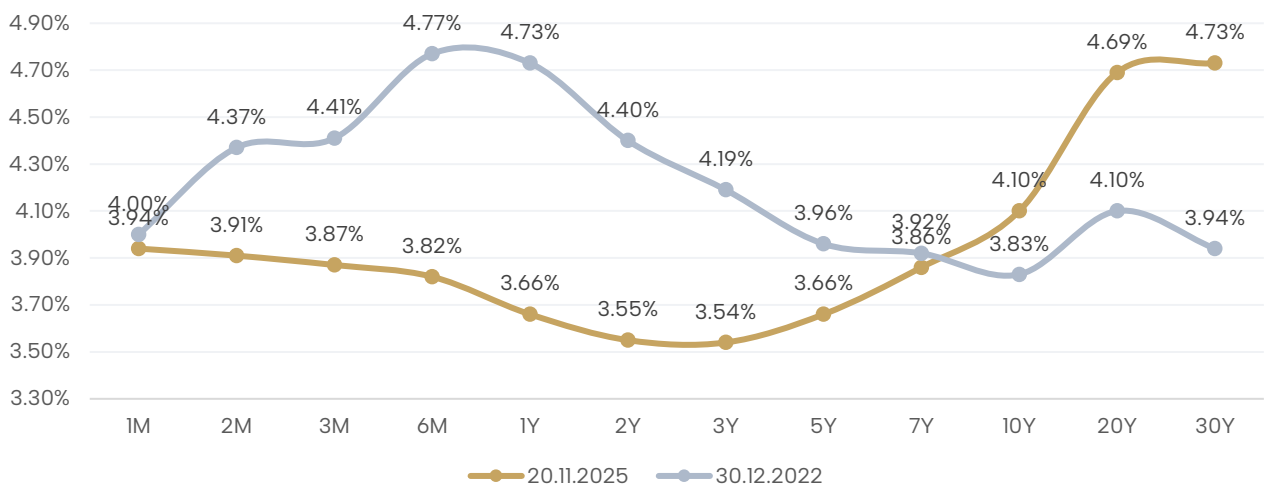
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World Economic Outlook by the World Economic Forum, Jan 2026.

The US Economy

In 2025, the Federal Reserve shifted from a tightening stance towards measured monetary easing, delivering three consecutive quarter-point rate reductions in September, October and December. These moves cumulatively reduced the federal funds target range to 3.50%-3.75%, the lowest level since mid-2024. The December FOMC vote revealed sharp internal divergence, with a 9-3 split reflecting tensions between inflation risks and the need to support a softening labour market. In January 2026, the FOMC kept rates unchanged.

U.S. inflation remained elevated through the year relative to the Fed's 2% objective, with the Federal Reserve's preferred core PCE inflation (Personal Consumption Expenditures excluding food & energy) near ~2.8% YOY in September, even as broader price measures continued to moderate. At the same time, labour market slack became more evident, with the U.S. unemployment rate rising to 4.6%, its highest level in several years, reinforcing signs of economic cooling and influencing monetary policy decisions.

US yield curve: Normalisation Ongoing

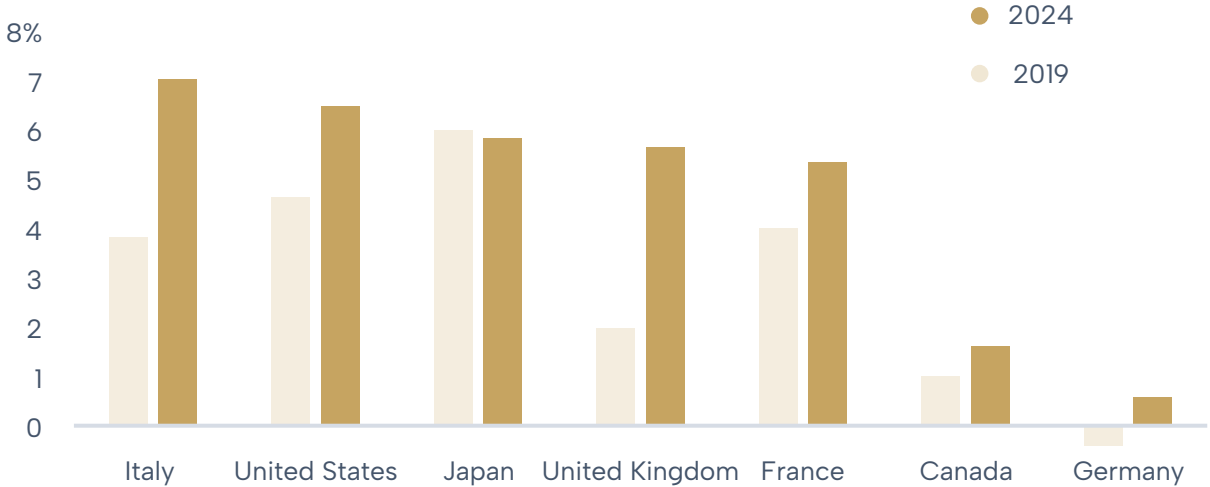


Source: LSEG Datastream, Deutsche Bank AG. Data as of November 20, 2025. Interest rates for US government bonds with different maturities (M = month, Y = year).

Investors are once again getting rewarded for holding longer-tenure bonds, as compared to shorter tenure bonds.

Most G-7 governments have wider budget deficits than they did before the pandemic

Government Deficit as a % of GDP

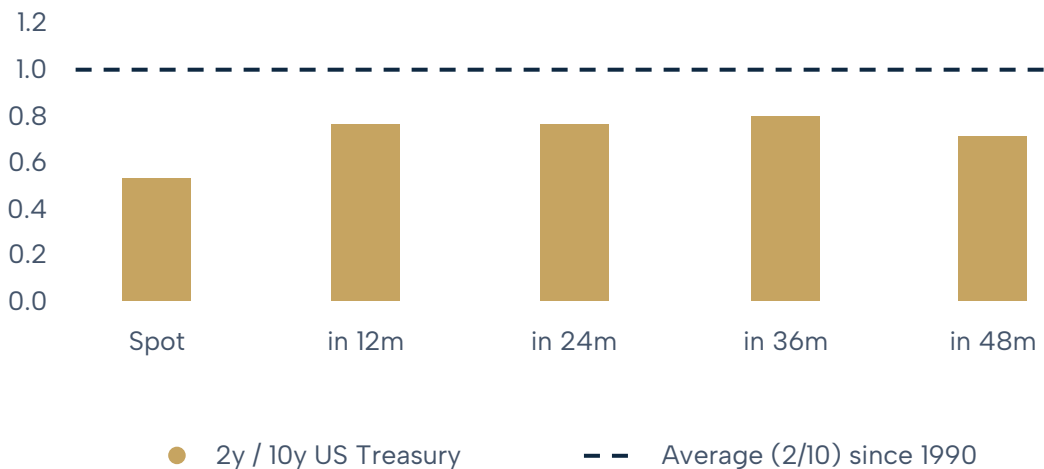


Sources: Banca d'Italia, Office of Management and Budget, Bank of Japan, Office for National Statistics, Banque de France, Statistics Canada, Deutsche Bundesbank, Haver Analytics. Data as of December 31, 2024.

As the U.S. moves into 2026, 59% of the chief economists surveyed by the World Economic Forum anticipate high inflation in the coming year. In 2025, bonds delivered attractive levels of yield and solid total returns of about 5%, compensating investors for taking on the risk of sticky inflation. U.S. credits are likely to continue seeing relatively high overall yields. Long-end yields are structurally supported by the debt dynamics. Having said that, the old secular bond bull market is unlikely to return. In a tight spread environment, there is more opportunity among higher-quality issues until wider spreads materialize.

Curve steepness in %

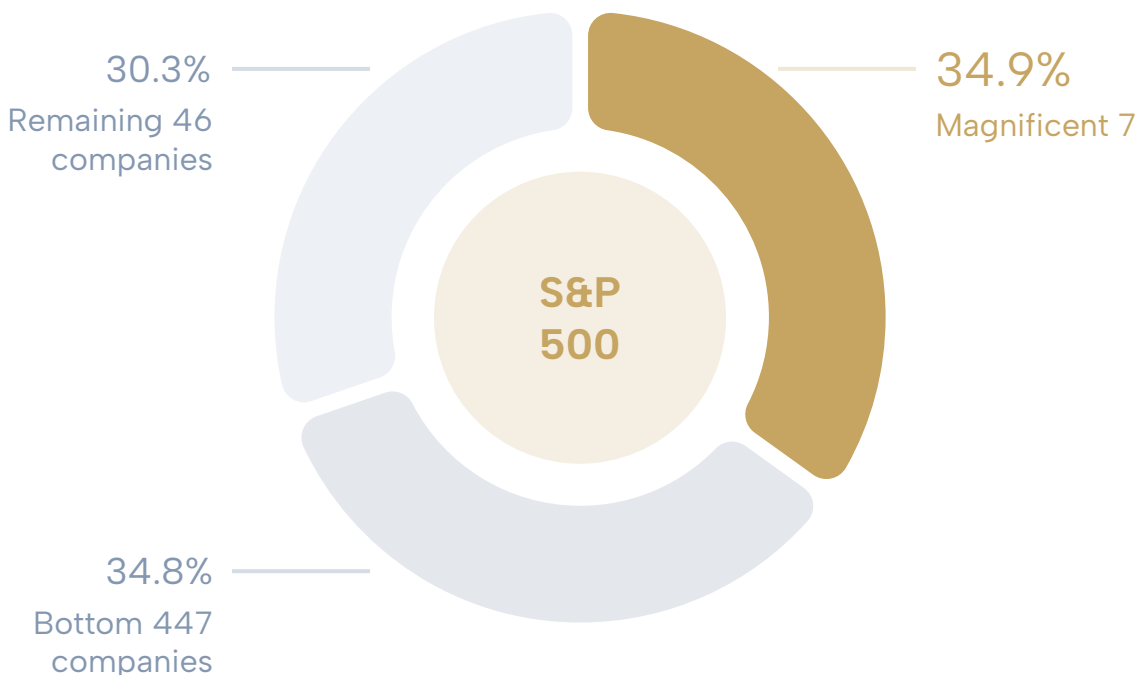
(As of Nov 2025)



U.S. business earnings remained robust through 2025. The U.S. economy displayed notable resilience through the year, navigating trade-related disruptions and growth concerns without a material deterioration in fundamentals. The S&P 500 index witnessed a correction in the first half of the year, before rebounding strongly in the second half. The index ended the year up ~ 17% on a year-to-date basis, supported by robust corporate earnings, with technology linked sectors continuing to be the primary drivers of index-level performance rather than one-off multiple expansion.

Companies with significant exposure to Artificial Intelligence (AI) delivered strong gains earlier in the year as accelerating adoption and large-scale infrastructure spending drove earnings growth, particularly across semiconductors, hyperscalers and AI-enabled software. In the last quarter of 2025, investors voiced concerns over elevated capital expenditure and potential return on invested capital, leading to selective drawdowns in AI-linked equities. These dynamics were evident in late-year market moves, reflecting broader sector re-rating pressures amid intensifying competition and rising investment requirements rather than a deterioration in underlying demand.

S&P 500: Concentration instead of diversification – the power of the few



The rise of AI and energy transition were the two sweeping trends that shaped the market sentiment in 2025, and these trends are likely to continue into 2026 as well. As per JP Morgan, AI-related investment contributed more to U.S. GDP growth than consumer spending in 2025. OpenAI alone has announced plans to build data centres with over 25 GW of capacity. Given that each GW requires around \$50 billion in capital investment, OpenAI is targeting over \$1 trillion in total capex over the next several years.

Last month, we published a note on AI-related stocks. We continue to believe that quality will be key when investing in the AI story in 2026.

Historically, a non-recessionary Fed cutting cycle has been positive for risk assets, while fiscal measures should add momentum—provided they do not spark a significant rise in bond yields.

S&P 500 performance around Fed cuts in recessionary and non-recessionary environments

Median S&P 500 performance after Fed cuts rates since 1970, month 0 = first cut



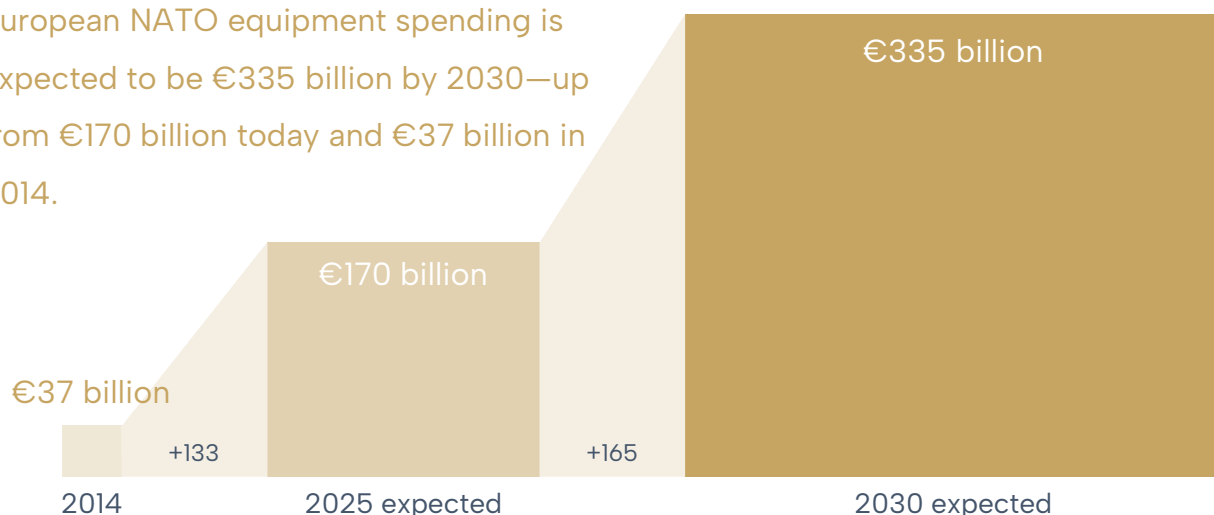
Europe's Monetary Stance

In 2025, the European Central Bank pivoted from earlier easing to a holding pattern in its interest rates. After cutting the deposit facility rate to 2% by June, policymakers kept rates unchanged through late 2025 amid inflation stabilising close to the ECB's ~2% target and the Eurozone economy proving resilient despite external headwinds.

The widening fiscal deficits in many Developed Market economies emerged as a salient macro risk. While the U.S. budget shortfall in fiscal year 2025 was roughly \$1.8 trillion, near historical highs as revenues lagged outsized spending, in Europe, policymakers adopted a more expansionary fiscal stance. Led by Germany's increased defence and infrastructure spending under the EU's fiscal flexibility framework, resulting in higher government debt issuance. Major central banks have been unwinding bond-buying programmes, contributing to a repricing across government debt markets. Sovereign yields in 2025 have generally moved higher, especially for long-dated bonds, reflecting market adjustment to increased supply and shifting monetary policy dynamics. In 2026, markets widely expect the ECB to keep rates unchanged.

European Defence Sector continues to focus on localizing production. The German economy felt the drag from tariffs and the slow implementation of the fiscal package though, and is expected to improve only slightly in 2026, before the full impact of the fiscal package is felt in the following years when higher infrastructure and defence spending can support Eurozone growth.

European NATO equipment spending is expected to be €335 billion by 2030—up from €170 billion today and €37 billion in 2014.



Source: NATO; McKinsey analysis.

What lies in store for the US Dollar in 2026?

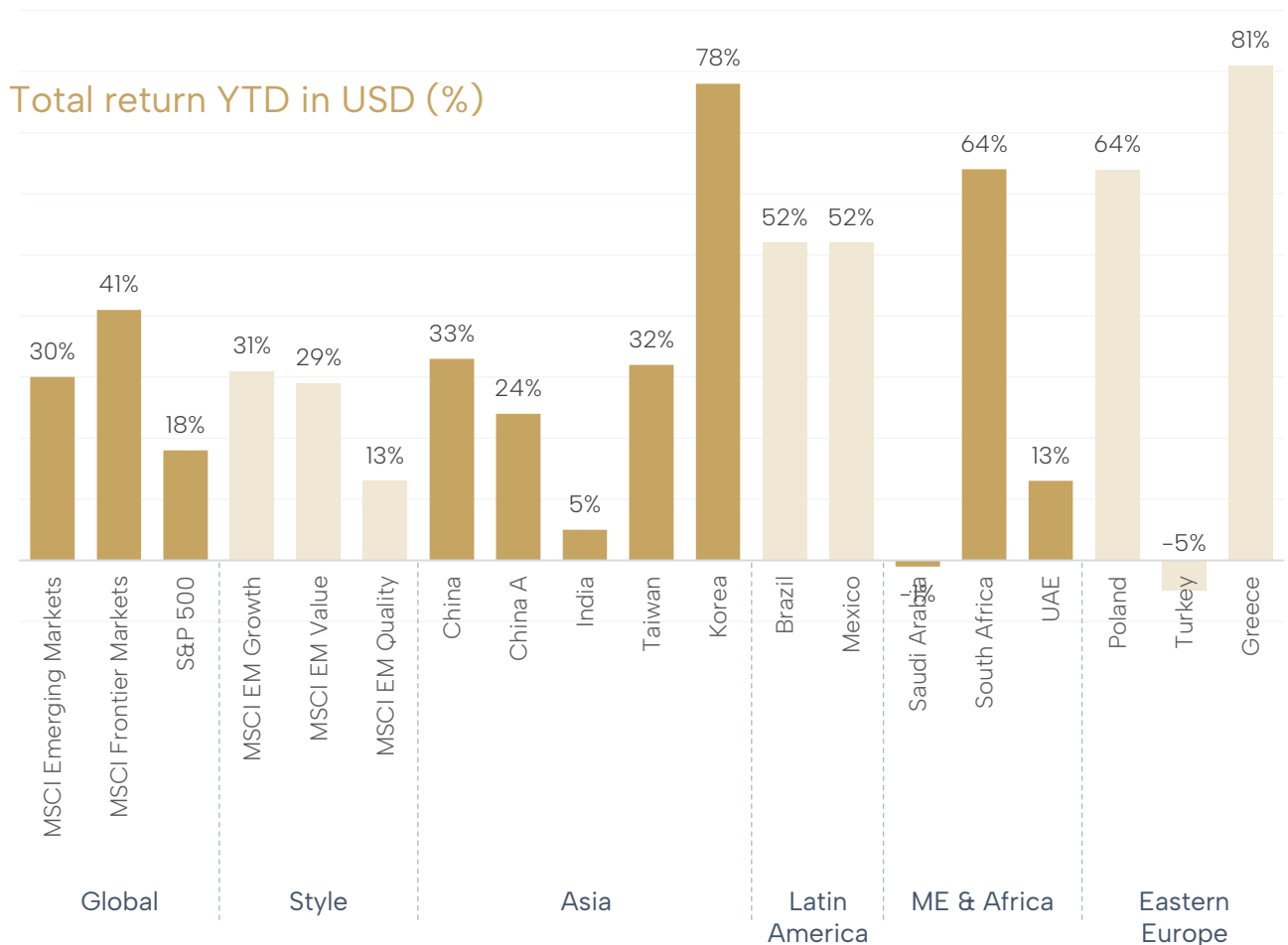
The U.S. Dollar has shown some evidence of decline through 2025. The dollar's share in global reserves has fallen from 71% in 1991 to 58% today. Central banks of countries are diversifying away from the U.S. Dollar and exploring alternatives such as Euro or Yuan, which are increasingly offering greater liquidity and stronger flows. Concerns over U.S. public debt and political volatility have made countries wary of holding USD reserves. The use of financial sanctions, such as seizing Russian central bank assets have also prompted some central banks to rethink their diversification strategy. China's growing trade power encourages non-USD transactions. BRIC member countries are actively reducing their reliance on the U.S. dollar.

Having said that, the U.S. Dollar continues to matter. There is no other single currency that currently offers the same level of liquidity, scale and stability that is offered by the U.S. Dollar. The decline in the U.S. Dollar's dominant position is gradual, and unlikely to be a sudden collapse, allowing for adaption. 46% of the global GDP is anchored to the U.S. Dollar by way of currency peg.

Asia & Emerging Markets

Inflation and debt levels are under control in emerging markets relative to their history. Emerging markets have made strides toward reducing their debt burdens over the last 10 to 20 years. Emerging market countries seem to have adapted well the impact of tariffs so far, and growth trajectory seems decent. Yet the complete impact on emerging markets could take years to play out. Emerging market debt continues to attract investments against the backdrop of sliding USD, monetary easing in EM markets, and improving fiscal health of EM balance sheets.

In 2025, many spoke about whether the “US exceptionalism” had gone too far, with the U.S. reaching 66% of global equity market capitalisation despite contributing 26% of the global GDP. Emerging markets (EMs) represent approximately 40% of global GDP and 70% of global real growth. EMs account for 11% of the MSCI All-World Index.



The U.S. tariff situation with China remains uncertain. Chinese domestic economic data is expected to continue to soften, and its housing industry remains under pressure. Analysts remain optimistic about China's AI story.

"China is going to win the AI race, China is nanoseconds behind America in AI"

-- Nvidia's Jensen Huang, Financial Times' Future of AI Summit, November 2025.

India enters 2026 with a strong growth outlook, fueled by supportive government policies and resetting of valuations in 2025. Growth is expected to speed up on the back of consumer spending and government infrastructure investments, supported by low inflation.



Will The Rally of the Safe Haven Assets Continue?

Gold had an extraordinary rally in 2025. Traditionally, gold prices rise when equity markets struggled, but through most of 2025 gold defied this traditional correlation, as we saw the S&P 500 as well as gold rallying together. By October 2025, gold reached an all-time high of \$4,381.21 an ounce, which was 2.5X the gold price in October 2022.

The key reasons for this:

- I. Gold is used to preserve purchasing power during periods of inflation, as an inflation hedge. While the market was still factoring in the inflationary effects of the U.S. tariffs, gold benefited from this.
- II. The U.S. Dollar saw a steep fall this year sparking concerns about the end of U.S. exceptionalism. With the investor confidence getting shaky in the USD, many investors (especially central banks the world over) turned towards gold.
- III. The rise in gold reserves held by central banks is a key structural factor supporting gold prices. As per HSBC, gold constituted ~ 13% of central bank reserves in 2022, rising to about 22% by Q2 2025. During this time, gold prices rose by ~ 125%, to over USD 4,000 per ounce.

Cryptocurrencies too had an unprecedented rally with Bitcoin surpassing the \$126,000 mark in October 2025, as President Trump himself infused much optimism in the crypto trading market with promises of making the U.S. a more crypto-friendly regime.

By November 2025, the rally of safe haven assets experienced some correction. January 2026 saw further downward pressure on these assets. Bitcoin dipped to \$75000 levels. While gold pulled back by ~12%, it still is at levels that are elevated as compared to its price about two years ago.

With many of the developed markets struggling with a ballooning fiscal deficit the outlook for most developed market fiat economies continues to be shaky. Safe haven assets should therefore continue to benefit from this. In 2026, while central banks may slow their gold acquisitions, significant sales are widely considered unlikely.

US tariff hikes on Europe tied to Greenland bid heightened trade tensions in early January 2026. The rising risk of retaliation increases market uncertainty. Gold benefits as a traditional safe haven during such disruptions. Many analysts also believe this is an era of 'resource nationalism', with sanctions and economic coercion likely to increase. Gold is seen as a hedge against systemic and geopolitical fragmentation.

Tactical View

Strategic View

Equities

US



Resilient growth and AI capex support earnings, but elevated valuations and long-end yield risk cap near-term upside.

Europe



Improving policy conditions and fiscal support underpin a positive long-term case, while structurally weaker growth and external sensitivity temper near-term conviction.

UK



Inflation is easing and policy pressure is receding, but weak productivity and fiscal constraints limit growth momentum.

Japan



Governance reforms and reflation underpin the strategic case, while BoJ normalisation, FX sensitivity and valuation catch-up argue for a more measured near-term stance.

Emerging Markets



Selective opportunity set, with higher conviction in India, reform-oriented LatAm and EM Asia tech (Taiwan/Korea), while China and USD-sensitive EMs remain lower conviction.

Fixed Income

Government Bonds



Front-end supported by easing, but long-end constrained by issuance/term premia; still valuable for income and diversification.

Investment Grade Credit



Carry-driven returns with tight spreads; quality bias favored as upside from compression is limited.

High Yield Credit



Late-cycle dynamics and tight spreads reduce cushion; selective exposure only, with focus on quality and liquidity.

Emerging Market Debt



Near-term upside has narrowed after carry compression, but stronger balance sheets and attractive real yields support EM debt over the cycle.

Commodities & FX

Oil



Range-bound base case—supply discipline supports, moderate growth caps; tail risk from geopolitics.

Gold



Gold remains an underowned structural hedge against geopolitical risk, fiscal stress and policy uncertainty, though recent gains and sensitivity to real rates temper incremental upside.

Industrial Metals



Volatile near term, but structural tailwinds from grid/power buildout, energy transition and infrastructure capex

USD



Tactical softness as Fed eases, lowering yield differentials; long-term stability as U.S. retains productivity and growth advantage

EUR



Improving cyclical growth, stable ECB policy, supportive fiscal measures and gradual reserve diversification are tailwinds, though lower productivity and weaker long-term growth versus the US remain structural constraints.

GBP



Easing inflation and a more stable policy backdrop reduce downside risk, but weak productivity, fiscal sensitivity and limited growth momentum constrain both cyclical and structural upside.

JPY



Valuation support and gradual policy normalisation offer cyclical upside, though gains remain episodic and constrained by rate differentials, renewed fiscal risks and structural growth limits.

● Very Negative

● Negative

● Neutral

● Positive

● Very Positive

▨ Previous view (Q4 2025)

Tactical View Strategic View

Commodities & FX

CHF Defensive anchor with limited directional return; benefits mainly in risk-off regimes.

EM FX Selective carry and valuation support exist in policy-credible EMs, but performance remains highly dependent on USD cycles, global risk sentiment and country-level dispersion.

Alternatives

Private Credit Attractive income but dispersion rising; underwriting and manager selection are decisive as base rates fall.

Private Equity Near-term returns are constrained by slower exits and financing costs, but improved entry points and operational value creation support long-term conviction.

Private Infrastructure Structural beneficiary of power/grid buildout, AI-related demand and public spending; focus on contracted cash flows and execution risk.

Real Estate Earlier optimism tied to rate cuts has moderated as easing is slower and recovery remains highly segment-specific (logistics and data centres over retail and office) rather than broadly attractive

Hedge Funds Useful diversifier in a volatile, policy-driven regime; relative value/macro and multi-strategy well suited to higher dispersion.

● Very Negative
 ● Negative
 ● Neutral
 ● Positive
 ● Very Positive
 Previous view (Q4 2025)

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