MONTHLY REVIEW – JANUARY 2026

Dear Clients, Colleagues and Partners

OUR PERSPECTIVE

“Confidence is contagious. So is lack of confidence.” ~ Vince Lombardi, US American Football Coach

De-dollarisation is often framed as a dramatic rupture: the collapse of the US dollar, the sudden rise of a rival currency, the end of a system that has underpinned global capital markets for decades. That framing is misleading. What is underway is not a revolution, but a gradual erosion of monopoly power.

The US dollar remains the world’s dominant reserve, trading, and funding currency. It is deeply embedded in contracts, balance sheets, and financial plumbing. But dominance is not the same as immunity. The post-pandemic world has introduced new strains on the dollar-centric order, and more importantly, on how the price of money itself is determined.

Geopolitics is one catalyst. The weaponisation of finance – sanctions, reserve freezes, and payment-system controls has transformed the dollar from a neutral medium into a strategic risk. For many nations, de-dollarisation is not rebellion; it is risk management. Reducing reliance on a politicised system is a rational response to a more fragmented and uncertain world.

The second catalyst is credibility. Persistent fiscal deficits, rising debt-servicing costs, questions around central-bank independence, and an expanding supply of US Treasuries have weakened the assumption that the dollar is backed by unquestioned discipline. This is where the renewed debate around the Federal Reserve matters. The issue is not whether policymakers are hawks or doves, but what the Fed is expected to be in a world of fiscal dominance.

For decades, markets treated the price of money as a technocratic output – set by committees consisting of economists, their models, and forward guidance. That era has ended. Money now has a price only insofar as it is believed. And belief is no longer free.

> **De-dollarisation** is the gradual reduction in reliance on the US dollar for trade, reserves, and financial settlement, driven by geopolitical risk, fiscal and monetary credibility concerns, and the desire to diversify exposure within an increasingly fragmented global financial system.

The Fed may still set the policy rate, but it no longer fully controls the long end of the curve. Equally, demand for Treasuries is no longer automatic and is increasingly price sensitive. When issuance rises faster than credibility, term premia do the adjustment.

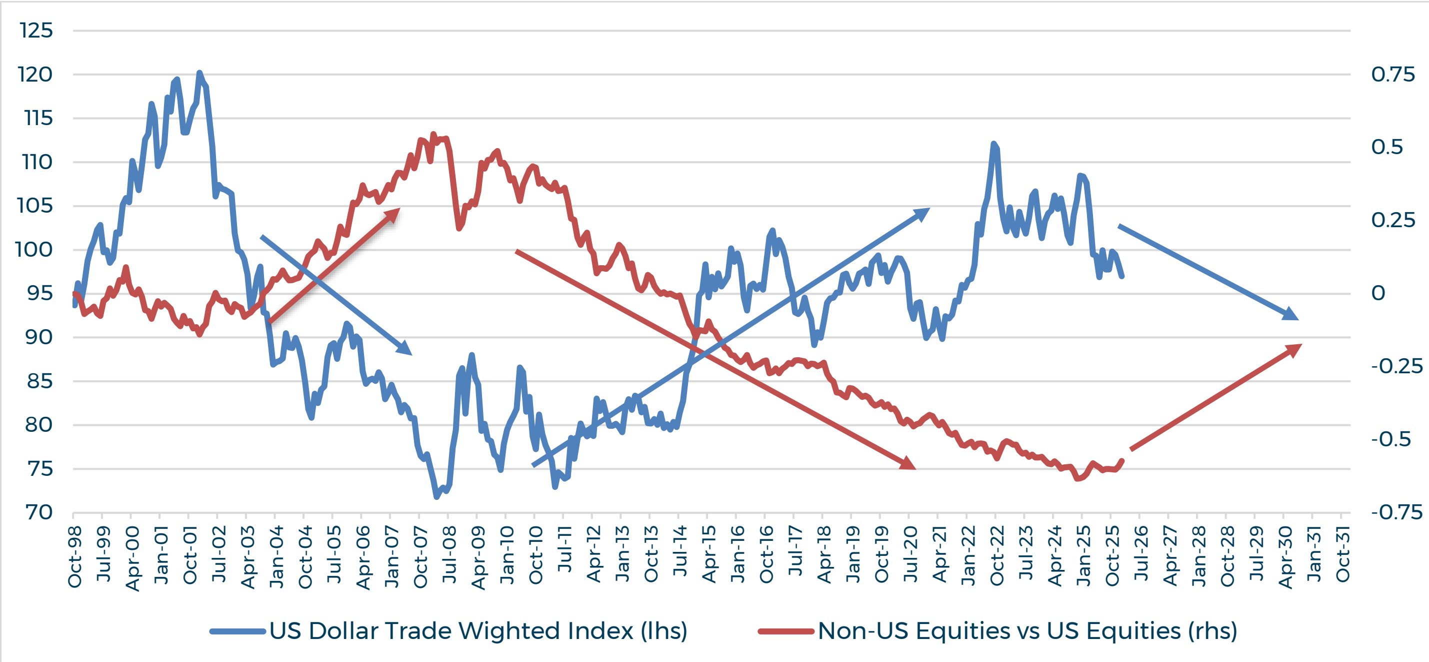
Whilst the US Dollar might remain central, global capital is becoming more selective. Dollar assets still attract flows, but increasingly on a risk-adjusted basis rather than blind faith. That subtle shift explains why dollar strength and Treasury weakness can coexist — once an anomaly, now a feature.

Gold completes the picture. Its strength is not a fear trade, nor a simple inflation hedge. It is a referendum on credibility. Gold does not compete with government bonds on yield; it competes on trust. When the price of money becomes politicised, assets that make no promises gain value precisely because they cannot break them.

All this does not imply imminent crisis. But marginal shifts matter, and they compound. A more redundant financial system is emerging, with local-currency trade, reserve diversification, and parallel infrastructure.

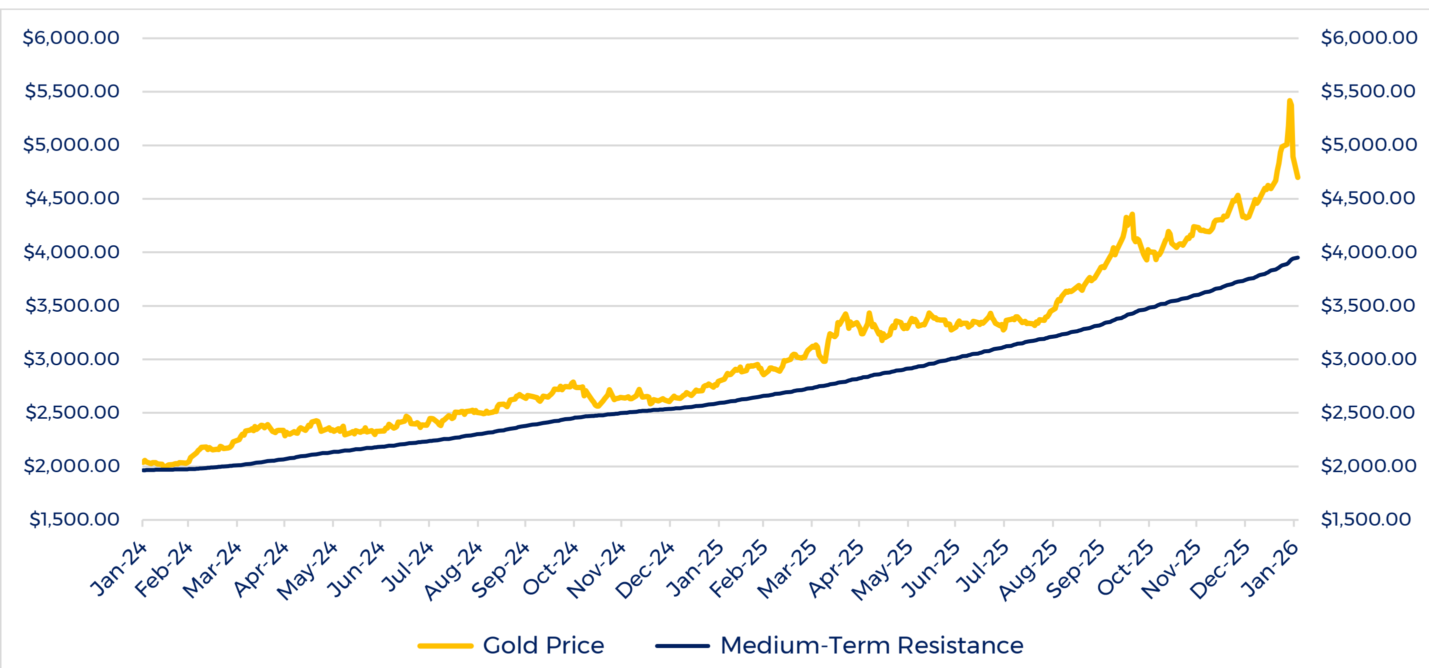
The dollar is unlikely to fall from its throne overnight, but the exorbitant privilege the US Treasury once had has run its course. And in finance, that change is enough.

***Exhibit 1:** The extent of US equity market dominance has been unprecedented. A weaker US dollar would significantly boost liquidity, funding and growth outside of the United States, potentially supporting an era of non-US equity out performance.*



Source: Bloomberg LP, Shard Capital, 31/01/2026

***Exhibit 2:** The rally in gold has been nothing but spectacular. However, we remain of the view that $4000 is the new floor.*



Source: Bloomberg LP, Shard Capital, /02/02/2026

MARKET REVIEW

Deflationary Boom Assets

January delivered a strong start for risk assets, reinforcing the view that markets continue to price a disinflationary growth backdrop rather than imminent recession. Global equities advanced 2.81% (USD), with performance notably broadening beyond US mega-cap leadership. Value outperformed growth decisively, with World Equity Value up 6.22% (USD) versus 1.10% (USD) for Growth, reflecting renewed interest in cyclicals, financials and non-US markets. Emerging Market equities led major regions, rising 7.70% (USD), supported by a weaker US dollar and stabilising global manufacturing momentum.

Corporate credit also benefited from the benign macro mix. US investment grade corporate bonds rose 0.18% (USD), while EM hard currency debt gained 0.36% (USD), indicating stable spreads and continued demand for carry. Equity valuations, however, remain elevated in parts of the US market, particularly within long-duration growth segments, reinforcing the importance of regional and factor diversification.

Deflationary Bust Assets

Government bonds lagged risk assets, highlighting persistent scepticism around duration despite easing inflation pressures. US Treasuries fell -0.09% (USD) in January, while UK Gilts declined -0.16% (GBP). The muted performance reflects ongoing concerns around heavy issuance, elevated term premia, and fiscal credibility. Markets appear willing to price policy easing at the front end but remain reluctant to aggressively bid long-dated sovereign debt, reinforcing the idea that bonds may offer less protection than in previous cycles.

Inflationary Boom Assets

Inflation-sensitive cyclicals performed strongly. Energy markets surged, with Brent crude up 16.17% (USD) and the Bloomberg Energy Spot Index rising 20.42% (USD), driven by supply discipline and geopolitical risk premia. Industrial metals also advanced, with copper up 4.93% (USD), reflecting infrastructure demand and improving global activity. Managed futures captured this momentum, with the SG CTA Index gaining 3.11% (USD) and the SG Trend Index up 3.49% (USD).

Inflationary Bust Assets

Precious metals were the standout performers. Gold surged 13.31% (USD), extending its one-year gain to nearly 75% (USD), while the broader precious metals complex rose 10.51% (USD). The move reflects declining real yields, a weaker dollar, and persistent demand for credibility hedges amid fiscal and geopolitical uncertainty. Inflation-linked bonds delivered modest gains, with US TIPS up 0.31% (USD), as inflation expectations remained contained but asymmetric risks persisted.

Overall, January reinforced a regime defined by policy support, dollar softness, and selective inflation hedging — rewarding diversified, regime-aware portfolios over narrow positioning.

Exhibit 3: *US Equity valuations are at extreme levels!*

Source: https://www.multpl.com/, Robert Shiller from his book, Irrational Exuberance, 02/02/2026

ASSET ALLOCATION

The below tables set out our current tactical asset allocation views and the investment thesis behind these.

	Positioning	Investment Thesis
FIXED INCOME		
DM – Government Bonds	NEUTRAL	Whilst inflation risks resulting from strong liquidity, M2 growth, and interest rate risks from a supply-demand mismatch and term-premia for longer duration U.S. Treasuries remain, we note the disinflationary trend and downside risks to economic growth. We recommend an overweight position in government bonds, both nominal and inflation linked. We still find short-dated TIPS attractive with high real rates relative to history, whilst duration in the U.K. Gilt market looks more attractive as we believe long-term growth and inflation expectations remain too high.
DM – Corporate Bonds	UNDERWEIGHT	The risk-reward profile remains unattractive given tight credit spreads and macroeconomic risks.
EMD – Government Bonds	OVERWEIGHT	The weaker US Dollar and attractive yields have boosted EM Govt bonds, especially local currency bonds over the past 12 months. Whilst we remain broadly positive on the sector, we have a preference for EM equity, which offer more attractive risk-reward.
EMD – Corporate Bonds	NEUTRAL	Risks include negative economic shock, FX-mismatch. Attractive security specific / RV opportunities, where we prefer high quality, short-duration and hard-currency credit, which offers attractive yields with lower relative risk.
ALTERNATIVES		
Property & Infrastructure	NEUTRAL	We retain conviction behind infrastructure, especially in digital infrastructure and electrification where attractive and sustainable tailwinds persist, especially where long-term CF's and inflation protection persists. Property markets remain uncertain and less attractive with cap rates and valuations broadly do not reflect a higher interest rate regime we entered post-pandemic.
Commodities	OVERWEIGHT	Despite volatility, we remain positive on precious metals, in particular gold, as geopolitical and economic uncertainty remains high, with optionality driven by policy missteps. Whilst sustainability of near-term demand remains uncertain, the long-term demand characteristics could provide attractive opportunities to increase exposure to the energy complex, Natural Gas and nuclear in particular.
Private Equity	UNDERWEIGHT	Private markets remain vulnerable to liquidity risks during periods of increased market dislocations, and the risks from a rising cost-of-capital and difficulties in refinancing is not fully reflected in private markets.
Alternative Strategies	OVERWEIGHT	Uncertainty behind inflation and economic growth drive the opportunity for uncorrelated investment propositions, e.g. Hedge Funds. However, investors should consider the absolute opportunity relative to T-Bills. Attractive strategy specific opportunities exist with i) lower volatility, ii) uncorrelated profiles, iii) attractive risk-adjusted return expectations, and iv) long-volatility pay-off profile. We are especially bullish on CTA's and trend-following Managed Futures.

	Positioning	Investment Thesis
DEVELOPED MARKET EQUITY		
North America	**UNDERWEIGHT**	US equity market outperformance over the last 15 years have been significantly supported by multiple expansion, and valuations remain elevated on both absolute and relative levels. Despite the longer-term benefits from the AI revolution, we believe risks to profit margins remains significant. Whilst valuations in small and midcaps looks marginally more attractive, policy uncertainty and weakening sentiment we believe are major headwinds to U.S. small and midcaps.
UK	**NEUTRAL**	Whilst equity valuations, especially in the small and midcap market are attractive, political uncertainty, deteriorating economic outlook and inflation risks remain material. We retain a preference for high quality and stability and note the opportunity in small and midcap companies.
Europe ex-UK	**OVERWEIGHT**	Whilst FX and Stagflation risks remain material, we belief the changing European fiscal regime represents a major macroeconomic and policy shift in European policy. Valuations remain relatively attractive; however, we note a preference for quality and pricing power.
Japan	**OVERWEIGHT**	Attractive valuation, macroeconomic tailwinds and ongoing market reform all underpin the opportunity in Japan. Corporate Japan's strong balance sheet and low valuations make for attractive risk-reward profile. We believe the Japanese Yen is significantly undervalued, and exposure to Japan should not be hedged.
EMERGING MARKET EQUITY		
Asia ex-Japan & China	**OVERWEIGHT**	We retain a preference for Asian emerging economies over non-Asian EM, driven by better fundamentals and lower reliance on externalities. However, we note the risks of contagion as China embark on a local deleveraging cycle and economic growth slows. India remains one of our highest conviction opportunities in the region, but valuations are stretched.
China	**OVERWEIGHT**	Overly pessimistic outlook and sentiment towards China are reflected in valuations. Whilst question marks with regards to demographics, real estate, debt, policy and alignment remain, sentiment are showing signs of turning less negative. The risk-reward remain skewed to the upside, and selectively attractive long-term opportunities have emerged.
Latin America	**OVERWEIGHT**	The changing political and macroeconomic environment, specifically the benefits from the 'near-shoring' of supply chains and the consequences of deteriorating China-US relations, creates attractive opportunities in Central and South America. Some uncertainty remains in the near term from US-policy and the outlook for global growth.
EMEA	**UNDERWEIGHT**	Preference for Asia & Latin America.

"Qui Curat Vincit"

CONTACT US

For further information on any of our services, or if you would like to arrange a meeting with an investment manager to see how we can work with you, please get in touch.

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