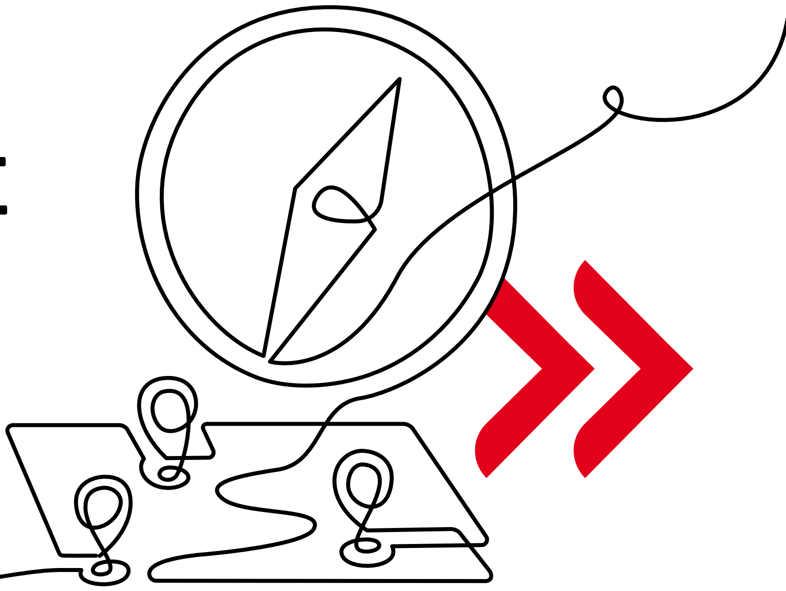
The Investment Institute
by UniCredit

The Checkpoint

28 January 2026



The Donroe Doctrine

If 2025 marked the year in which US President Donald Trump redesigned the rules of global trade along neo-mercantilist lines, 2026 appears set to become the year in which he redefines the very notion of national sovereignty. In practice, these two developments are closely intertwined, reflecting a single, coherent strategy in which trade coercion, political intimidation and territorial control operate as mutually reinforcing pillars of US primacy.

The US military operation in Venezuela, as well as territorial claims over Greenland, were unpredictable in style (the kidnapping of a foreign president and veiled threats to attack a NATO ally) but not unexpected. The 2025 National Security Strategy (NSS), published last December, introduced the “Trump Corollary” to the Monroe Doctrine, now dubbed the “Donroe Doctrine” by Trump himself. The strategy prioritises the redeployment of economic and military resources to assert US dominance in the western hemisphere broadly defined.

This doctrine seeks to curb China and Russia’s engagement in this natural resource-rich part of the world while reinforcing American primacy through military pressure, economic coercion and selective alliances. The NSS is very explicit on the economic relevance of the region for the White House: “We want a hemisphere that remains free of hostile foreign incursion or ownership of key assets, and that supports critical supply chains.” The goal is to guarantee the exclusive sourcing of key raw materials for American companies in order to outcompete foreign rivals – hence the importance of neo-mercantilist policies.

More broadly, the new Monroe Doctrine contributes to fragmenting the international system into competing blocs. America’s renewed focus on the western hemisphere is likely to divert China’s attention from South America towards its own strategic backyard, the Indo-Pacific region. This does not imply that Taiwan faces an imminent threat, given the US’s strong economic and strategic interest in the Taiwanese semiconductor industry. At the same time, the US-China rivalry is becoming so intense across multiple areas that Washington is unlikely to grant Beijing a free pass in the Indo-Pacific region.

What are the market implications of these shifts? The de-dollarisation process will continue. The market will favour those US companies that operate in sectors that are a priority of the neo-mercantilist agenda of the White House. The US yield curve may steepen. Gold will benefit from its safe-haven status as geopolitical uncertainty rises.

Manuela D’Onofrio
Chair of
The Investment Institute

Fabio Petti
Co-Chair of
The Investment Institute

Edoardo Campanella
Director and Chief Editor of
The Investment Institute

UniCredit

View from the CIOs

Alessandro Caviglia (Italy), **Philip Gisdakis** (Germany), **Oliver Prinz** (Austria)

Since the publication of our *Compass 2026* in early December – in which we placed particular emphasis on emerging market (EM) assets – the **MSCI EM Index** has delivered an impressive return of almost 10% (in USD terms). By comparison, European and Pacific equity markets have gained around 7% and 6%, respectively, while North American markets have lagged behind with a modest return of below 2%. Around two-thirds of EM performance has been generated this year. The relative underperformance of US assets has not been limited to equities. According to Bloomberg bond indices, US Treasuries have posted a total return loss of 11bp since early December, while eurozone government bonds (EGBs) have delivered a positive total return of 9bp. Over the same period, the EUR has appreciated by 1.15%. The clear performance winner, though, has been gold, which has surged by more than 17% (in USD terms), with prices surpassing the milestone of USD 5,000/oz.

This performance backdrop has been shaped by a number of **geopolitical developments**, including the capture of Venezuelan President Nicolás Maduro, US President Donald Trump's unexpected threat to annex Greenland and the remarkable World Economic Forum in Davos. The speech by Canadian Prime Minister Mark Carney was particularly influential – also from an investment and asset-allocation perspective. He criticized what he termed "extreme global integration" as a source of economic vulnerability and as a driver of political "subordination" of middle powers to great powers.

While calls in Europe to reduce risk related to China have long been familiar, applying similar reasoning to the US would represent a radical conceptual shift with far-reaching market and economic implications. Although the precise consequences of such a shift remain uncertain – and will likely include both opportunities and risks for European and US assets, depending, for instance, on specific corporate business models – one conclusion already appears clear: in an environment of potentially profound structural changes in transatlantic relations, the case for broader global diversification is strengthening. That implies a stronger focus on assets beyond Europe and the US – which supports our key investment message for 2026: **EM assets remain overweight**.

ASSET ALLOCATION

OUR INVESTMENT VIEW ON ASSET CLASSES

	UNDERWEIGHT	NEUTRAL	OVERWEIGHT
Global equities		●	
US equities		●	
European equities		●	
Pacific equities (developed markets[1])		●	
Emerging-market equities			●
Global bonds		●	
Government bonds (EMU)	●		
Government bonds (N-EMU)	●		
Corporate bonds (EUR-denominated investment-grade)		●	
Corporate bonds (high-yield)	●		
Emerging-market bonds (hard currency)			●
Emerging-market bonds (local currency)			●
Money markets		●	
Alternatives		●	
Bitcoin		●	
Commodities		●	
Oil		●	
Gold		●	

1. Developed markets: Australia, Japan, Hong Kong, New Zealand, Singapore

The new Monroe Doctrine

Author: Edoardo Campanella
Director and Chief Editor of the Investment Institute

A chat with... Alexandra de Hoop Scheffer

President of the German Marshall Fund of the United States

Interviewed on 15 January 2026 as part of the webinar series, "40 minutes with …". Below is a concise, edited script. For the full interview see the link here.

Edoardo Campanella: Is the US splitting the world with China and Russia?

Alexandra de Hoop Scheffer: What we are seeing in the Trump administration's strategy is a reprioritisation and acceleration of new American priorities. This was clearly laid out in the latest National Security Strategy, which sets out the administration's view of alliances and the role of European partners in US global priorities. One striking example was the Venezuela case: it was the first application of that strategic vision, which ranks priorities as follows – first the western hemisphere, then the Indo-Pacific region (where China figures prominently), and only third, Europe.

Edoardo Campanella: Let's talk about the Monroe Doctrine. China has significant economic interests in South America. Do you see that region at risk of a great-power clash?

Alexandra de Hoop Scheffer: Latin America, much like Africa, is becoming a chessboard of great-power competition. This is no longer just about economics or Chinese investments in critical infrastructure; it is fundamentally geopolitical. One major reason Trump chose to begin 2026 with a military intervention in Venezuela was to contain China's growing influence in the region, and similar tensions are visible in Africa. The US is now adopting a firm stance, asserting that the western hemisphere is its sphere of influence and that it will resist interference from China, Russia, or others. Frankly though, this is a mission impossible. Still, great-power rivalry, especially between the US and China, will increasingly shape regional dynamics around the world.

Edoardo Campanella: Does Europe need its own Monroe Doctrine? What would be the key elements of a viable long-term strategy?

Alexandra de Hoop Scheffer: Europe needs strategic clarity on what it will defend and where it will act. This requires Europeans to jointly assess their strategic environment – from threats on the eastern flank to instability to the south – and to agree on their top strategic priorities. That consensus still does not exist. The starting point must be a clear-eyed assessment of Europe's long-term interests: first and foremost, Europe's own security, with Ukraine playing a central role; then economic resilience and growth; and finally, political influence in its near neighbourhood. This is precisely what the US expects from Europe: that its European allies take greater responsibility for their own security interests.

Edoardo Campanella: Is the Franco-German engine still what Europe needs to make progress?

Alexandra de Hoop Scheffer: The Franco-German tandem is no longer sufficient to tackle Europe's key challenges. To avoid strategic irrelevance, Europe needs broader coalitions – including the UK when necessary – to overcome the slow pace of traditional EU decision-making.

FOCUS 1

Securing America's mineral hemisphere

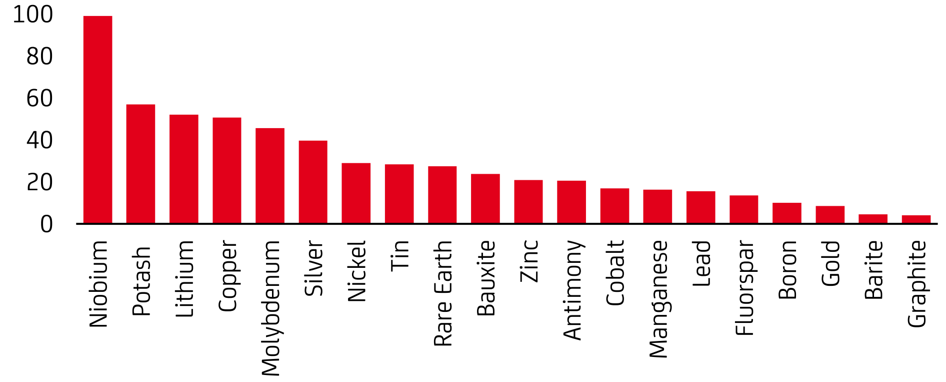
Authors: Stefan Kolek, Tobias Keller

The US military's raid on Venezuela and the announcement of plans to purchase Greenland mark an audacious debut of the new Monroe Doctrine, as described in the new US National Security Strategy announced last November. Similar to the original Monroe Doctrine issued by former **US President James Monroe in 1823**, which aimed at preventing the US from getting involved in European wars and European nations from acquiring territory or creating alliances with states in the western hemisphere[1], its new version focuses on restoring US "pre-eminence in the western hemisphere". It revolves around three pillars:

1. **Self-sufficiency**: By evoking the words of Alexander Hamilton, one of the US founding fathers, that the US must never be dependent on any outside power for core elements, it aims to secure and expand "access to critical minerals and materials while countering predatory economic practices," as well as restoring US energy dominance.
2. **Tech dominance:** The Donroe Doctrine targets the "restoration of American power and priorities, consistent with American security interest," in line with economic and technological dynamism and the national security needs of the US. As such, the doctrine will have long-term implications for the economic balance of power in the world as the US increases its leverage over a number of key resources and reduces supply-chain risks.
3. **Naval hegemony:** Reflecting the US status as naval superpower, it also includes globalist elements such as "keeping the Indo-Pacific free and open, preserving freedom of navigation in all crucial sea lanes, and maintaining secure and reliable supply chains".

The western hemisphere holds significant concentrations of **critical minerals**, almost the entire world reserves of niobium and more than half of the world's reserves of potash, lithium and copper (see Chart 1.1). **Greenland** also holds a large number of minerals, such as coal, copper, gold, graphite, ilmenite, iron ore, and many more, although due to its high environmental standards, exploration on the world's largest island is in its initial phase.

CHART 1.1: KEY MINERAL RESOURCES IN THE WESTERN HEMISPHERE (IN %)
THE WESTERN HEMISPHERE HOLDS THE LARGEST RESERVES OF A NUMBER OF MINERALS



Source: US Geological Survey (USGS), The Investment Institute by UniCredit

[1] Here, the western hemisphere is defined as the half of the Earth west of the prime meridian (0° longitude) and east of the 180° meridian, i.e. including North, Central and South America and the Caribbean. Alternative definitions have the eastern limit of the western hemisphere at 20° longitude (rather than 0°), which includes western Europe and western Africa.

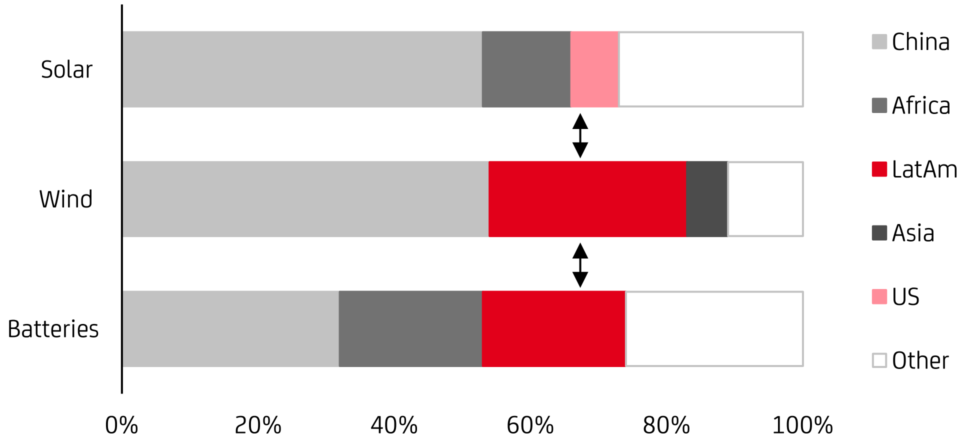
Similarly, the western hemisphere is home to roughly half of the production of minerals considered by the US government to be critical to its economy. Thus, the new Monroe Doctrine implies that the US would substantially reduce supply risks, notably in key technologies of the 21st century. This can be illustrated with the example of materials that are key to clean energy generation: Chart 1.2 shows that by gaining a tighter grip on the western hemisphere, the US position in terms of minerals key to clean energy would approach that of China.

Moreover, the western hemisphere commands a strategically significant share of the **global hydrocarbon base**. Venezuela alone holds an estimated 303bn barrels of proven crude reserves – the largest national endowment worldwide – while the US and Brazil contribute a further 45bn and 16bn barrels, respectively. Taken together, the region accounts for roughly a quarter of global proven oil reserves on an OECD-aligned basis, which excludes Canada's unconventional resources, i.e. oil sands (which represent an additional 159bn barrels). If the latter are included, the western hemisphere's share rises to well above a third of global crude oil reserves. The region's position in natural gas is more modest (only about 13% of global reserves) yet remains strategically relevant. The region also contributes around a third of global crude oil output, anchored by the US – the world's largest producer – alongside rapid offshore expansion in Brazil. Although Venezuela's production remains depressed due to infrastructure decay and sanctions, its vast reserves provide long-term strategic optionality. Global supply data show that US production growth, Canadian output and Brazil's pre-salt basins collectively form one of the most dynamic energy corridors in the world. The western hemisphere is equally prominent in natural gas, accounting for roughly 35% of global marketed production, with the US alone responsible for about a quarter of worldwide output.

However, the doctrine could **prove a source of risk**. On the one hand, it denies "non-hemispheric competitors the ability to position forces or other threatening capabilities, or to own or control strategically vital assets," admitting also that a "rigid adherence to non-interventionism is not possible". This has the potential to open up new potential flashpoints with other powers, notably China, which has made substantial investments in a number of Latin American countries (Chinese FDI topped USD 180bn in 3Q25, according to Rhodium Group). On the other hand, Latin America is split politically, which can create a risk of friction within the hemisphere. While Argentina and Mexico are tilted toward Washington – the former due to President Milei's ideological affinity to US free-market liberalism, the latter due to trade integration under USMCA – Brazil, under President Lula da Silva, is seeking to balance relations with both powers, championing "multipolar mineral diplomacy". Smaller states, such as Peru, Ecuador and the Dominican Republic, also do not appear willing to choose sides in the US-Chinese rivalry and tend to calibrate their positions on an issue-by-issue basis, extracting concessions from both sides.

CHART 1.2: DISTRIBUTION OF PROVENIENCE OF CLEAN ENERGY RAW MATERIALS

THE WESTERN HEMISPHERE HOLDS AN IMPORTANT SHARE



Source: Nakano, Jane, *The Geopolitics of Critical Minerals Supply Chains*, Center for Strategic & International Studies, March 2021; The Investment Institute by UniCredit

Note: Minerals used for batteries: Co, Li, C, Nb, Mn, Si, Cu, Ti, Al, P, F, Sn, Fe, Iron ore; for wind energy: Al, B, Cr, Cu, Dy, Pb, Mn, Mo, Nd, Ni, Nb, Pr, Iron ore; for solar energy: Al, B, Cd, Cu, Ga, Ge, In, Fe, Pb, Mo, Ni, Se, Si, Ag, Te, Sn, Zn

FOCUS 2

How will the Donroe Doctrine impact financial markets?

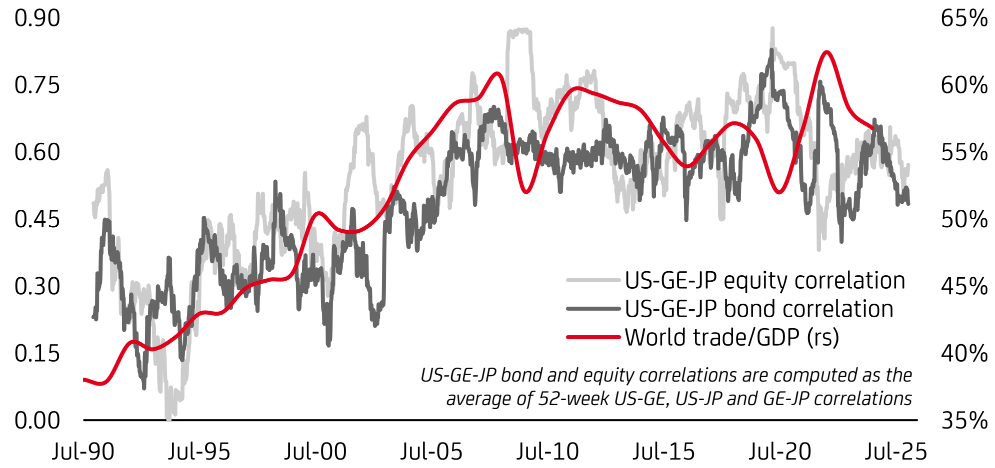
Author: Francesco Maria Di Bella

So far, the assertive approach by the Trump administration to Greenland and Venezuela has triggered a rather muted market response, presumably due to their relative economic weight. However, the market impact might be more intense if the US were to target countries that, unlike Greenland and Venezuela, are systemically important. Moreover, a world that splits into spheres of influence could prompt other countries to adopt retaliatory measures (as shown by Europe's threat to activate the EU's anti-coercion mechanism in defence of Greenland), which would not only weigh on the trade of goods but also on capital circulation. Focusing mainly on the US, these are the key channels:

Capital allocation: The global allocation of resources is likely to become less efficient. Investors will likely become less willing to invest in the US – for example, the potential introduction of a withholding tax on foreign investors' holdings of US assets represents a risk. Against this backdrop, investors will likely adopt a domestic bias and this would translate into **global financial assets being less correlated than they are now** (Chart 1.3). This would lead to higher funding costs for companies, particularly multinationals that might see their investments abroad being endangered by great power competition – there are concerns in Beijing about its investments in Latin America.

CHART 1.3: SURGING GLOBAL TRADE HAS PUSHED ASSET CORRELATION HIGHER

BOND, EQUITY CORRELATION (LS) WORLD TRADE/GDP (RS)



Source: Bloomberg, World Bank, The Investment Institute by UniCredit

Distorted policies: The Donroe Doctrine, which seeks to create exclusive access for American companies to resources in the western hemisphere – for economic and national-security reasons – will likely require supportive monetary and fiscal policies.

- **Fiscal policy:** Despite years of the US running a massive budget deficit, the Trump administration might decide to keep the budget deficit high to support domestic firms by either keeping corporate taxes low or directly investing in private companies, as it did last year with companies involved in chipmaking, such as Intel, and rare earths, for example USA Rare Earths. These policies are seen as key by the Trump administration to achieve a manufacturing renaissance in the US.
- **Monetary policy:** With respect to monetary policy, a dovish Fed is needed to keep funding conditions low for the US Treasury (fiscal dominance) and domestic companies, and to keep the USD competitive. The White House has been very vocal with respect to the Fed's decisions over the past few months, raising investor concerns regarding the independence of the central bank.

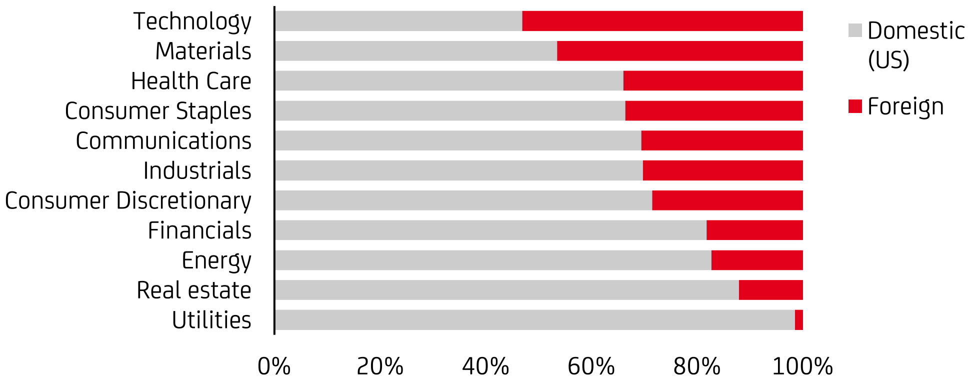
In our view, the full implementation of the new Monroe Doctrine would likely lead to lower yields at the short end of the curve in the US, while **longer-dated yields would probably rise** due to heavier bond supply, higher market-based inflation expectations and disaffection with US institutions.

US stock market: The implications for the US stock market are less straightforward. Excluding tech, companies in the S&P 500 mostly generate their revenues in the US (chart 1.4). This has two positive implications: US firms are little exposed to retaliatory measures by other countries and have room to increase revenues in the countries where US influence could grow. Moreover, favourable monetary and fiscal policies would support earnings for most companies. On the negative side, higher long-term financing costs and more economic uncertainty would weigh on risk appetite and reduce investor appetite for stocks. Whether the former or the latter effect prevails will likely depend on factors such as the sector and the size of a company. Moreover, we think the market would favour **companies that operate in sectors that are a priority of the neo-mercantilist agenda of the White House** and which are more inclined to adapt to government policies.

- **Defence, industrials, basic resources and tech are the best-positioned sectors** due to their strategic role in a new mercantilist world. In particular, tech and defence might continue to benefit from public support, basic resources could gain further traction if the US became more active in Venezuela and industrials could be supported by reshoring.
- Conversely, the **consumer staples** sector will likely suffer the most, due to its reliance on international supply chains. **Banks** are also likely to come under greater pressure due to potential bankruptcies of smaller, non-capital-market-eligible companies. We also expect **travel & leisure** to come under pressure due to stricter travel restrictions and related risks.

CHART 1.4: REVENUE EXPOSURE OF S&P 500 COMPANIES

SHARE OF TOTAL REVENUE



Source: Bloomberg, The Investment Institute by UniCredit

Impact on USD and commodities: Mercantilist policies require **a weak currency.** This, combined with investors questioning the role of the US dollar as a safe-haven currency, is set to weigh on the greenback. However, USD weakness might not go too far due to a lack of a valid alternative. Of course, this could change if the US hardened its geopolitical stance further, leading to investor disaffection towards USD-denominated assets. Against this backdrop, emerging countries that used the USD as a reference currency and are negatively affected by the imperialist policies of the US might decide to rely on other currencies. With China widening its sphere of influence, the CNY, in particular its digital version, might represent an alternative to the USD in those countries, especially BRICS+ nations. But a more assertive US might also end up supporting the USD too. If the US were to resort to the use of force, this could offset some of the factors weighing on the USD – due to the disproportionate military gap between the US and any other major global actor. In our view, the first effect is likely to dominate.

When it comes to **commodities**, the Monroe Doctrine and the intensifying international competition to secure access to key raw materials are likely to increase global supply. All else equal, this would put downward pressure on global prices. However, the discriminatory nature of these policies could generate regional price divergences, if commodities get weaponized. **Precious metals**, such as gold, will likely benefit from geopolitical uncertainty thanks to their traditional role as safe-haven assets.

Macro Stories

Authors: Andreas Rees, Marco Valli, Daniel Richard Vernazza

1 ECB in wait-and-see mode

The ECB is firmly on hold. Economic activity and the labour market continue to show resilience to high uncertainty and headwinds to trade, leaving the central bank's forecast for GDP growth on track. The risk of an escalation of tensions with the US on Greenland seems to have receded, at least for the time being, and this removes a big near-term threat to economic growth and financial-market stability. In this environment, the ECB can stick to its wait-and-see approach. The outlook for consumer prices remains benign. Growth in import prices is weak, energy prices remain well-behaved and wage growth is on a downward trajectory. Headline inflation declined slightly below 2% in December and will probably remain below the ECB's target throughout 2026 and possibly beyond. As long as economic activity holds up and core inflation remains above 2%, the GC is unlikely to seriously consider a further interest rate cut. We continue to expect the deposit rate to remain at 2% well into 2027.

2 Fed to keep enough independence

Fed independence is under attack from the Trump administration. Recently, the Department of Justice threatened a criminal indictment relating to Fed Chair Jerome Powell's testimony on building works, while Trump's attempt to fire Fed Governor Cook over allegations of mortgage fraud is going through the courts. Many believe these are pretexts in Trump's push for much lower interest rates. Our base case is that the Supreme Court will set a high bar for the president to be able to remove a Fed governor "for cause". With only former Trump advisor Governor Miran's term as Fed governor expiring within the next two years, and 11 of the 12 regional Fed presidents reappointed for new five-year terms, Trump is unlikely to hold sway with a majority on the rate-setting committee for the foreseeable future. Thus, we expect Fed monetary policy decisions to be based on economic data and its dual mandate, not politics. In this case, we see just one rate cut this year, in June. Still, Fed independence is not assured with Trump in the White House and amid the steep trajectory of federal debt and servicing costs. A politicised Fed would materially push up inflation and inflation expectations, reduce the value of the US dollar and probably increase long-term borrowing costs.

3 Global economy: resilience under strain

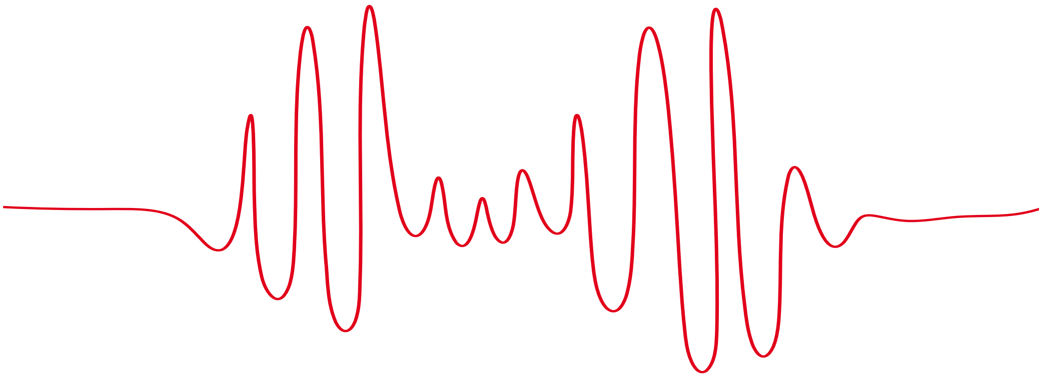
We continue to expect the global economy to remain resilient in 2026-27 despite elevated geopolitical uncertainty and trade frictions. In our baseline scenario, global GDP growth remains largely unchanged, with a rise of 3.1% yoy in 2026 and 3.2% in 2027 (last year: +3.3%). Resilience is likely to rest on three stabilisers. First, private-sector adaptation is expected to cushion the drag from higher tariffs and other protectionist measures. Companies are increasingly diversifying suppliers and re-routing logistics to limit disruptions. Second, digitisation and AI should keep investment activity supported, especially in the US, and accelerate the shift in global trade from goods to services. Third, industrial policy in advanced economies should partly offset trade-related headwinds. By subsidising the manufacture of strategic goods such as chips and batteries, supply chains are localised to (gradually) reduce the dependence on China. However, the forecast risks for the global economy are skewed to the downside, as further geopolitical turbulence or an AI capex correction could weigh on investment and consumer spending.

Market Stories

Authors: Francesco Maria Di Bella, Tobias Keller, Stefan Kolek, Roberto Mialich, Jonathan Schroer, Christian Stocker, Thomas Strobel, Michael Teig

The noise ...

Looking back over the opening weeks of the year, markets have faced a series of geopolitical shocks that have added meaningful noise to sentiment. The US has adopted a more forceful foreign policy, including the capture of the Venezuelan president Nicolás Maduro, renewed pressure on Iran and an assertive push for control over Greenland, all seen as part of a wider contest with China for strategic influence and critical minerals. European leaders have reacted firmly, warning that new tariff threats tied to Greenland could strain the transatlantic partnership and weaken NATO unity. Meanwhile, tensions across the Middle East remain elevated, with the risk of renewed escalation and possible effects on energy markets. At the same time, concerns about the independence of the US Fed have grown as political pressure intensifies. Together, these developments have heightened uncertainty at a time when markets were hoping for a more stable start to the year.



... and the signal

Beside the geopolitical noise, markets are increasingly shifting toward the fundamentals that guide asset prices. Investors are watching policy signals from the US Fed. If economic data, particularly labour market figures, hold steady, expectations for aggressive rate cuts will likely be pared back. This could push government bond yields modestly higher. At the same time, the outlook for equities remains broadly supportive, with earnings growth still the main driver despite ongoing volatility. In credit markets, rising delinquency rates and a few isolated defaults have drawn attention, but these developments are not viewed as systemic. A gradual widening of spreads from currently tight levels appears more likely than a destabilising shift. Commodity markets are also settling into a steadier pattern. Oil prices should move sideways as geopolitical concerns balance against ample supply, while gold sees some consolidation after its strong run, supported by continued structural demand. Overall, as the initial shock of early year events fades, markets are filtering out headline driven swings and refocusing on monetary policy dynamics, earnings resilience and the later stage of the credit cycle.

Equities

With 2026 off to a positive start, we remain constructive for the year

The year has begun on a positive note for stock markets. According to an old market adage, if the first five trading days of a year show a positive performance, the full year is likely to end positively as well. Since 1950, this rule has shown a surprisingly strong track record for the S&P 500: of the 47 years registering positive returns in the first five trading days, 39 also ended in positive territory – a success rate of 83%. The first five days of this year were indeed positive, and beyond this seasonal effect, our fundamentally constructive view remains intact despite persistent uncertainties, particularly geopolitical risks.

The **AI narrative** – a key driver of US equities – continues to be a double-edged sword: it fuels innovation and earnings potential while simultaneously raising concerns about overvaluation. At the same time, bottlenecks in data-centre power supply and grid capacity are emerging as potential constraints to the next phase of AI growth. Nevertheless, the impact of AI is increasingly spreading to other sectors such as materials and industrials, largely supported by substantial capital expenditure from AI-focused companies.

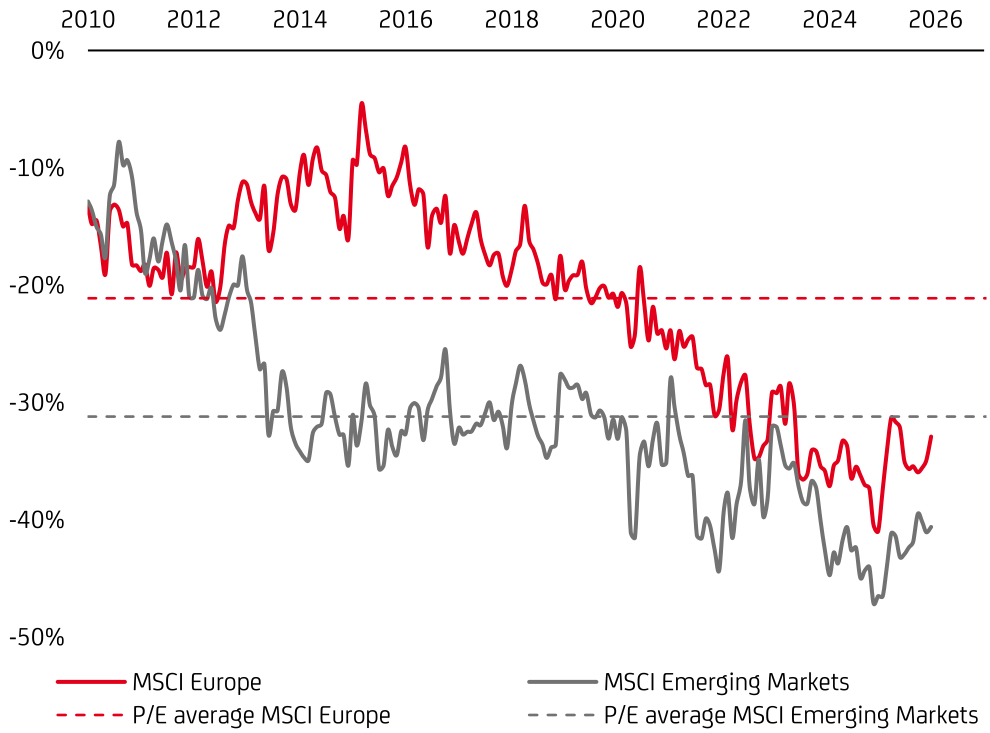
Consensus forecasts expect **corporate earnings** to grow at around 10% to 15%, outpacing the expected earnings growth for 2025 across all major regions. However, we remain more cautious than bottom-up consensus in most regions, as these forecasts tend to be overly optimistic at the start of each year and often fail to align with investor expectations. Nevertheless, earnings growth combined with dividends should support reasonable equity returns. Overall, we expect equity markets to move higher in 2026, albeit with lower index returns than in 2025.

For the **US stock market**, we believe that returns in 2026 will be driven more by fundamental profit growth – estimated at around 14% for the S&P 500 – than by further valuation expansion. AI-driven productivity gains in the technology sector are expected to play an important role. Significant opportunities remain for AI leaders such as semiconductor and software companies, where large capital expenditure could boost profits and help lift the S&P 500 to around 7,600 by year-end. However, we expect higher volatility than in 2025 due to elevated valuations, potential fluctuations in Fed policy, geopolitical risks and the possibility of cooling enthusiasm for AI. Meanwhile, infrastructure investments, including those related to data-centre expansion, are likely to support broader demand across the materials, utilities, construction and financials sectors. As a result, we see a strong probability of a wider dispersion of returns in the US market in 2026.

The outlook for **European stocks** is more moderate. We expect the Euro STOXX 50 to rise to about 6,200 this year, supported by earnings growth of approximately 11%. Germany's fiscal measures, increasing defence spending across Europe and strong demand for commodities driven by AI infrastructure investment should benefit the materials, machinery, transport, logistics and technology sectors. However, risks from trade tensions and tariffs could weigh on growth. In addition, Europe faces a dense political calendar in 2026, which may introduce periods of short-term volatility. We believe consensus earnings expectations for 2026 are somewhat optimistic and vulnerable to export-related disruptions. Therefore, we are more conservative and forecast earnings growth of roughly 8%. AI plays a smaller role in Europe, where valuations remain attractive relative to the US, but structural productivity gaps persist (see Chart 2.1).

CHART 2.1: EM AND EUROPE STILL TRADING AT A HUGE DISCOUNT TO THE US

P/E DISCOUNT VERSUS MSCI USA IN %



Source: LSEG I/B/E/S, The Investment Institute by UniCredit

Following last year's impressive 30% gain, we expect another strong year for **emerging-market (EM) equities**, forecasting around 15% performance for the MSCI EM Index in 2026. This outlook is supported by a favourable global macroeconomic environment, strong AI-related demand benefiting tech-oriented EM markets and broad geographical diversification, all of which contribute to our robust 19% earnings growth forecast for 2026. While valuations have risen (MSCI EM firms are now trading at 13.6x forward earnings, on average, and the index is still trading at roughly a 40% discount to US equities (see chart). Within EM, China continues to face structural growth constraints (as highlighted by its economic slowdown to 4.5% yoy in 4Q25), while other markets such as Taiwan and Korea tend to benefit more directly from the AI and semiconductor cycle. Key risks include growth or policy shocks from the US or China, as well as renewed concerns about an AI-driven bubble. A sustained period of dollar strength (which is not our base case) would also pose a challenge for EM.

Fixed Income

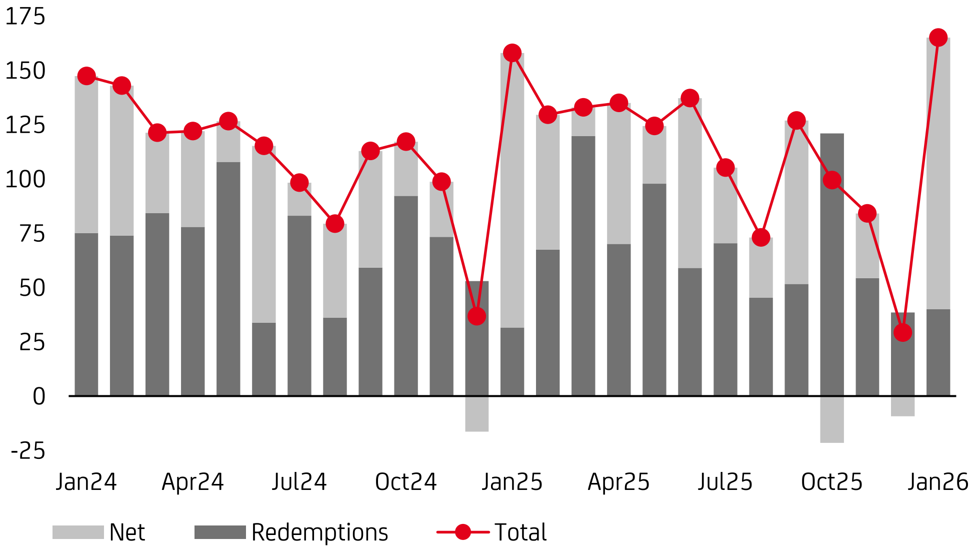
EGB supply has been easily absorbed despite market volatility

Government bonds in most developed countries have experienced a roller-coaster ride during the first few weeks of the year. Following a yield decline, with curves generally flattening, curves have bear-steepened due to the latest geopolitical developments. Three events have had the most impact: **1.** Tensions in **Iran** have pushed commodity prices higher and reignited market-based inflation expectations in the eurozone and the US. **2.** In Japan, Prime Minister **Sanae Takaichi's** announcement of snap elections to profit from her high approval rating and consolidate her parliament majority has caused a massive sell-off of long-dated government bonds, due to expectations of aggressive fiscal stimulus. **3.** President Trump's intention to take control of **Greenland** has strained US relations with its European allies. EGB and UST yields have subsequentially moved higher as investors expect public debt agencies to step up bond supply, both to support economies if new tariffs were announced and to fund defence expenses.

The high volatility has not affected investors' ability to absorb recent issuance activity. In January, eurozone debt agencies are set to sell roughly 160bn of bonds, possibly exceeding the monthly record of June 2020 (EUR 161bn). The quality of order books and the pricing of new bonds indicate that reception has been good so far.

CHART 2.2: HEAVY EGB ISSUANCE ACTIVITY IN JANUARY

REDEMPTIONS, NET AND GROSS SUPPLY OF EUROZONE GOVERNMENT BONDS (EUR BN)



Source: eurozone debt agencies, Bloomberg, The Investment Institute by UniCredit

The 10Y Bund yield has approached the 3% area again and the 10Y UST yield is trading at its highest level since August. Expectations of heavy supply and the fact that both the ECB and the Fed will probably sound cautious at their upcoming meetings limit the possible recovery of EGBs and USTs, and they could remain volatile in the coming weeks. That said, we doubt that this is the beginning of a new upward trend in yields as economic uncertainty is still high and liquidity abundant, and as we think that opportunistic investors will try to profit from the latest moves and lock in appealing yields. Demand for Italian paper has remained healthy in the past few weeks, with the spread trading below 70bp. This is supportive given the recent volatility across markets.

Corporate credit: no systemic risk in sight

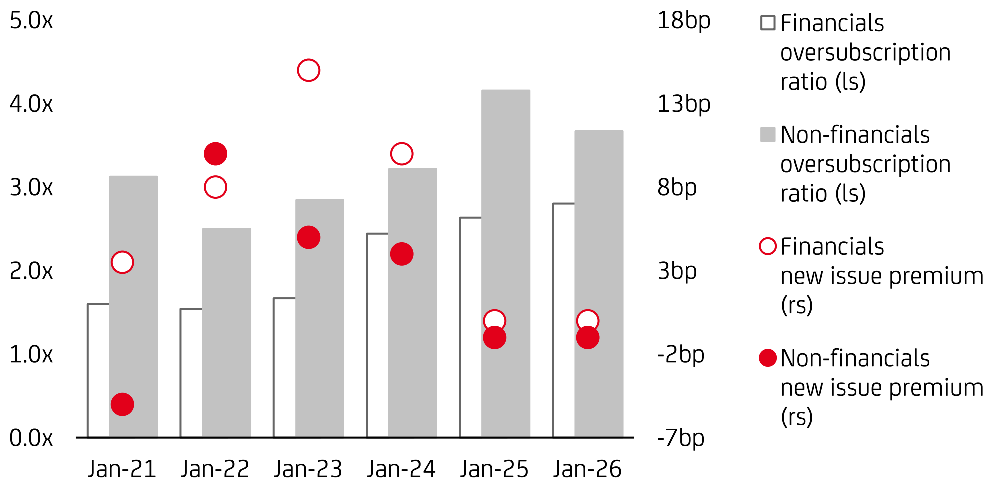
Corporate credit has started the new year on a strong footing. Despite robust new bond supply, credit risk premiums have remained stable. Consequently, carry has remained the key source of total return. The new bond supply has met strong demand from investors, with most issues being heavily oversubscribed, reflecting strong appetite for credit risk. The reasons for the strong appetite for corporate credit risk are that credit metrics are solid, issuers continue to follow conservative financial policies and default rates remain low. The strong demand for new issues led to heavy oversubscription (median of 3.7x) – the second highest in the past six years, and a slightly negative median new-issue premium.

For financials, **credit spreads** also performed very well. The positive sentiment was supported by good 4Q25 results from large US banks and constructive comments from European banks. Investor appetite for primary market deals was also very strong, despite significant geopolitical news and events concerning Venezuela, Iran and Greenland. For EUR-benchmark senior bonds issued by financials so far this month, the median oversubscription is 2.8x, which is the highest level in the past six years, despite very high primary bond supply. Also, the average new-issue premium was close to zero, compared to the 1bp to 13bp range experienced between 2021 and 2025. This means that financials issuers can price new deals on the secondary market curve. Both indicators show strong primary market sentiment despite the geopolitical events surrounding Venezuela and Iran.

For 1H26, however, we expect some volatility. Risks stem from the increasing volume of loan exposure that has been shifted from the traditional banking sector to non-bank financial institutions (NBFI). This has two implications: **1.** banks have increasingly provided funding to private credit funds to engage in more risky lending activities; **2.** there are concerns that the asset-quality metrics reported by banks might not fully reflect the underlying risk of their loan books. However, given their solid credit quality, a picture likely to be confirmed during the upcoming earnings season, investment grade non-financials should remain stable. **High-beta** credit (high-yield and subordinated debt), on the other hand, is more vulnerable to spillover effects. Ultimately, despite moderate upside pressure in both in IG and HY spreads in the coming months, carry remains the key source of return. Financials could underperform non-financials if spread widening is driven by increasing concerns about a change in the credit cycle. Please see the risky-asset table for more details of our corporate credit spread forecasts.

CHART 2.3: JANUARY INDICATORS OF PRIMARY MARKET DEMAND

HIGH BID-TO-COVER RATIOS AND LOW NEW-ISSUE PREMIUMS SO FAR THIS MONTH REFLECT STRONG PRIMARY MARKET DEMAND



Source: Bloomberg, The Investment Institute by UniCredit

FX

USD under pressure as US policy uncertainty re-emerges

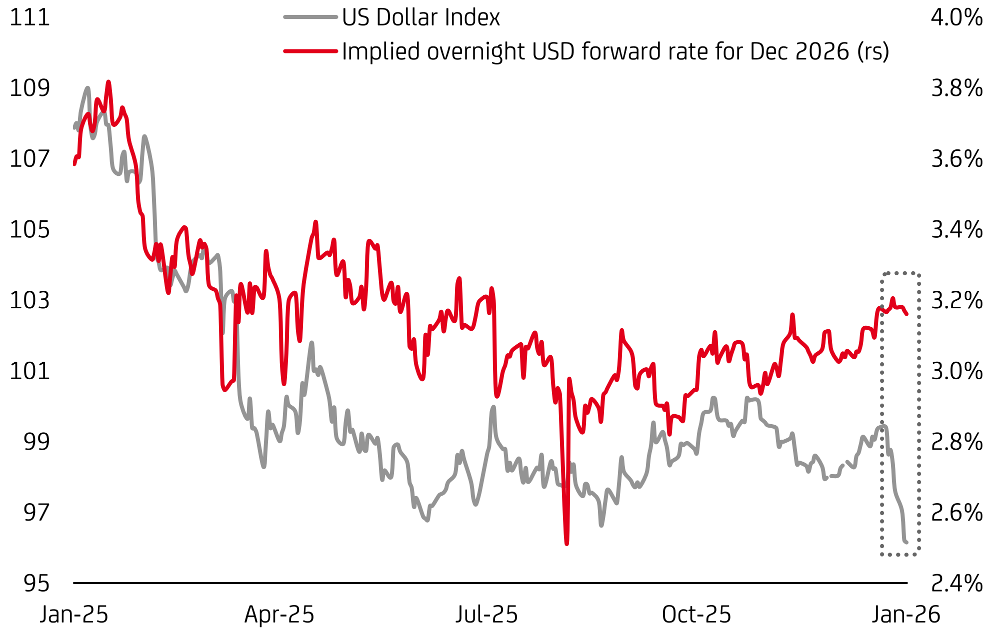
The USD has come under renewed depreciation pressure since mid-January, as geopolitical risks, rising trade tensions and concerns regarding Fed independence have resurfaced. Signals that the US authorities may be willing to participate in coordinated market interventions to stem JPY weakness, followed by Trump's remarks welcoming a weaker dollar ("I think it's great"), have added further momentum to the **USD depreciation**. These statements from the White House can be interpreted as indicating a policy preference for a weaker USD to support US exports and narrow the trade deficit.

Heightened policy uncertainty and concerns about the sustainability of fiscal debt, combined with escalating geopolitical and trade tensions, have revived discussions about global de-dollarisation. The recent pace of USD weakness has been comparable to market moves observed after "Liberation Day", but the size of the move is still moderate compared to what happened in 2Q25. In contrast to April 2025, so far, spillover to the Treasury market has remained contained, and the USD has decoupled from the short end of the curve, as forward fed funds rates have only marginally declined. This divergence suggests that either the USD sell-off has been excessive, or the USD curve may still adjust through further steepening.

The EUR-USD break above last year's highs and through the **1.20 level** flags the risk that the reference band for the currency pair may shift from 1.15-1.20 to 1.20-1.25. A stabilisation in the 1.20-1.22 area is plausible if the USD is supported by a cautious Fed narrative, which we expect, and reduced policy noise from the US administration (less likely). Given the yen's central role in the recent USD move, the outcome of Japanese elections on 8 February could also offer short-term relief to the USD, particularly if political risks place renewed pressure on the JPY. Even in this scenario, downside risks for EUR-USD are likely to be limited to the 1.18 area. If policy uncertainty persists, this could pave the way for a more sustained USD weakening trend. However, unless the US administration extends its influence over the long end of the yield curve, a sharp rise in debt-servicing costs may become a disciplining factor, helping to prevent an excessive or disorderly decline in the USD.

CHART 2.4: USD DECOUPLES FROM RATES AS DE-DOLLARISATION THEME EMERGES

THE US DOLLAR INDEX AND IMPLIED USD OVERNIGHT RATES FOR DEC 2026



Source: Bloomberg, The Investment Institute by UniCredit

Commodities

Crude oil

Oil markets are ending January with prices settled in the mid USD 60s/bbl, as a supply-heavy backdrop continues to offset the fleeting support from geopolitical shocks. The risk premium that emerged earlier in January has only partially receded, with prices still carrying insurance against potential disruption. The US-engineered removal of Venezuelan President Nicolás Maduro injected volatility but exerted only negligible influence on prices, as Venezuela's severely constrained production capacity leaves little scope for meaningful shifts in near-term supply balances. In the longer term, however, renewed investment and political stabilisation could bring incremental Venezuelan barrels back to the market – adding further downside risk to prices.

The EIA's projected 2.8 mb/d inventory build for 2026 points to continued surplus conditions, standing in sharp contrast to OPEC's expectation of a largely balanced market. The IEA, meanwhile, has revised its surplus projections modestly lower, reflecting stronger demand assumptions, although it continues to see a structurally oversupplied market. With seaborne stocks already elevated, additional barrels may shift to onshore storage, adding another layer of downward pressure on prices in the short term. China's strategic stockpiling adds further opacity. In the short-to-medium term, geopolitical flare-ups are likely to deliver only brief, sentiment-driven support rather than leading to any meaningful shift in fundamentals. Against this backdrop, we feel comfortable maintaining our Brent forecast in the range of **USD 60-65/bbl** for 2026.

Natural gas

The benchmark European natural gas price (TTF) has jumped as much as 40% since the start of the year as cold weather and geopolitical tensions have provoked the previously complacent market. One source of volatility has been the low inventory levels relative to recent years. European gas stocks recently dipped below 50% of capacity, down 10pp relative to the same time in the prior year. The lower starting levels and cold weather in recent weeks has put pressure on inventories and thus raises concerns about refilling needs for winter 2026-27. Geopolitical developments have further increased volatility in gas markets. On the one hand, turmoil in Iran brings potential for disruption in LNG flows. On the other, a trade war between the US and EU would entail weaker economic activity, which could drive gas prices lower. In the absence of major geopolitical turmoil, we expect this price volatility to decrease. We reiterate our TTF price forecast for 2026 of **EUR 30-35/MWh**, although we note that the price could temporarily exceed that range in the near term. Later in the year, we expect calmer gas markets as significant new supplies come online, particularly in North America.

Gold

Gold began the year strongly, surpassing **USD 5,000/oz**, driven by geopolitical tensions following the US capture of Venezuela's President Maduro. The confrontation between the US and Europe over Greenland and rising tensions in Iran added further uncertainty and reinforced safe-haven demand. Structural drivers also continued to support the market, although with somewhat less strength than before. Central bank purchases remain solid, ETFs continue to see steady inflows, and real yields have not moved significantly. These factors help maintain golds strategic relevance, but with prices already very elevated and geopolitical risk increasingly priced in, the probability of a temporary pullback is rising even if the broader constructive trend remains intact.

Forecast Tables

UniCredit Forecasts

GDP, CPI AND BUDGET BALANCE FORECASTS

	Real GDP (% Y/Y)			Consumer prices (% Y/Y)			Budget balance (% of GDP)		
	2025	2026	2027	2025	2026	2027	2025	2026	2027
Global	**3.2**	**3.1**	**3.2**	-	-	-	-	-	-
US	**2.2**	**2.4**	**2.0**	**2.7**	**2.9**	**2.6**	**-7.4**	**-7.9**	**-8.0**
Eurozone	**1.4**	**1.0**	**1.4**	**2.1**	**1.8**	**1.9**	**-3.4**	**-3.7**	**-3.6**
Germany	0.2*	1.2*	1.9*	2.2	1.6	2.0	-2.4	-4.3	-4.3
France	0.8	0.9	1.1	1.0	1.3	1.4	-5.4	-5.0	-4.6
Italy	0.5	0.6	0.8	1.5	1.4	1.6	-3.1	-2.9	-2.7
Spain	2.9	2.1	1.8	2.7	2.1	2.0	-2.5	-2.1	-2.2
UK	**1.4**	**0.9**	**1.2**	**3.4**	**2.3**	**2.0**	**-4.5**	**-3.8**	**-3.5**
China	**5.0**	**4.1**	**3.8**	**-0.3**	**0.5**	**1.0**	**-8.5**	**-8.0**	**-8.0**
Japan	**1.0**	**0.8**	**0.8**	**3.0**	**2.1**	**2.0**	**-3.1**	**-4.0**	**-3.8**
India	**7.3**	**6.4**	**6.4**	**2.8**	**4.0**	**4.0**	**-7.2**	**-7.1**	**-6.9**

Source: The Investment Institute by UniCredit
*Non-WDA figures. Adjusted for working days: 0.3% (2025), 0.9% (2026) and 1.8% (2027)

CENTRAL BANKS WATCH

	Current	1Q26	2Q26	3Q26	4Q26	1Q27
Fed	3.75	3.75	3.50	3.50	3.50	3.50
ECB	2.00	2.00	2.00	2.00	2.00	2.00
BOE	3.75	3.50	3.25	3.00	2.75	2.75
BoJ	0.75	0.75	1.00	1.00	1.00	1.25
Riksbank	1.75	1.75	1.75	1.75	1.75	1.75
Norges Bank	4.00	3.50	3.50	3.50	3.50	3.50

Source: The Investment Institute by UniCredit
Note: Figures are end-of-period

INTEREST RATE AND YIELD FORECASTS

	26.01.26	1Q26	2Q26	3Q26
Eurozone				
Depo rate	2.00	2.00	2.00	2.00
3M Euribor	2.04	2.00	2.00	2.00
2Y Schatz	2.11	2.10	2.10	2.10
10Y Bund	2.87	2.75	2.80	2.85
2Y EUR swap	2.27	2.25	2.25	2.25
10Y EUR swap	2.89	2.80	2.85	2.90
10Y swap-Bund spread	3	5	5	5
2Y BTP	2.19	2.30	2.30	2.30
10Y BTP	3.46	3.45	3.50	3.55
10Y BTP-Bund spread	59	70	70	70
US				
Fed fund rate	3.75	3.75	3.50	3.50
3M OIS SOFR	3.67	3.56	3.35	3.35
2Y UST	3.59	3.70	3.70	3.65
10Y UST	4.21	4.25	4.25	4.25
10Y UST-Bund spread	134	150	145	140

FX FORECASTS

	26.01.26	1Q26	2Q26	3Q26
EUR-USD	1.19	1.14	1.16	1.17
USD-JPY	153	154	150	148
EUR-JPY	183	176	174	173
GBP-USD	1.37	1.30	1.29	1.28
EUR-GBP	0.87	0.88	0.90	0.91
USD-CNY	6.95	7.10	7.09	7.08
EUR-CNY	8.30	8.09	8.22	8.28

Source: Bloomberg, The Investment Institute by UniCredit

RISKY ASSETS FORECASTS

	26.01.26	Mid-2026	End-2026
Oil			
Brent USD/bbl.	66.0	62.5	62.5
Equities			
Euro STOXX 50	5,948	5,900	6,200
STOXX Europe 600	608	600	630
DAX	24,901	25,500	27,000
MSCI Italy	117	118	123
S&P 500	6,916	7,200	7,600
Nasdaq 100	25,605	27,000	28,000
Credit			
iBoxx Non-Financials Senior	69	95	90
iBoxx Banks Senior	64	95	87
iBoxx High Yield NFI	255	325	300

Source: Bloomberg, S&P Global, The Investment Institute by UniCredit

For detailed forecast tables click the following links:

Economics > I **FI >** I **FX >** I **Risky Assets >**

Development of selected financial market indices

From	26.01.21	26.01.22	26.01.23	26.01.24	26.01.25	26.01.21	01.01.26
To	26.01.22	26.01.23	26.01.24	26.01.25	26.01.26	26.01.26	26.01.26
STOCK MARKET INDICES (TOTAL RETURN, IN %)							
MSCI World (in USD)	10.2	-4.8	18.3	22.3	19.6	81.2	2.4
MSCI Emerging Markets (in USD)	-10.6	-10.2	-3.6	13.5	42.4	23.7	7.5
MSCI US (in USD)	12.2	-5.7	22.8	26.9	15.0	89.0	1.5
MSCI Europe (in EUR)	18.7	1.0	10.3	14.2	18.2	77.4	2.9
MSCI AC Asia Pacific (in USD)	-10.2	-6.1	-0.2	12.7	35.4	28.0	6.1
STOXX Europe 600 (in EUR)	17.7	0.2	10.2	14.4	18.8	75.9	3.0
DAX 40 (Germany, in EUR)	11.5	-2.1	12.1	26.6	16.5	82.7	1.8
MSCI Italy (in EUR)	24.2	2.7	23.2	28.5	30.9	164.6	0.3
ATX (Austria, in EUR)	34.1	-9.4	8.8	17.6	50.4	133.5	3.7
SMI (Switzerland, in CHF)	13.5	-3.8	3.8	13.2	10.4	39.9	-1.0
S&P 500 (US, in USD)	14.6	-5.1	22.4	26.4	15.4	94.0	1.6
Nikkei (Japan, in JPY)	-3.8	3.6	33.4	12.2	35.0	102.1	5.1
CSI 300 (China, in Yuan)	-13.0	-9.2	-18.3	18.5	26.1	-5.2	1.8
BOND MARKET INDICES (TOTAL RETURN, IN %)							
US government bonds 10Y (in USD)	-4.3	-11.4	-1.8	0.2	8.1	-9.7	-0.4
German Bunds 10Y (in EUR)	-3.8	-17.3	2.0	0.2	0.6	-18.1	0.4
EUR government bonds 1Y-10Y (iBOXX, in EUR)	-3.8	-15.3	2.5	2.2	2.2	-12.7	0.6
EUR corporate bonds 1Y-10Y (iBOXX, in EUR)	-1.8	-11.4	5.0	4.8	4.0	-0.7	0.5
BOND YIELDS (CHANGE IN BASIS POINTS = 0.01 PERCENTAGE POINTS)							
US government bonds 10Y (in USD)	81	165	66	50	-41	317	7
German Bunds 10Y (in EUR)	45	229	9	29	28	341	0
EUR government bonds 1Y-10Y (iBOXX, in EUR)	49	236	10	14	14	322	-5
EUR corporate bonds 1Y-10Y (iBOXX, in EUR)	52	299	-18	-24	-4	309	-6
EURO EXCHANGE RATES (CHANGE, IN %)							
US dollar (EUR-USD)	-7.1	-3.4	-0.2	-3.9	13.0	-2.6	0.7
British pound (EUR-GBP)	-5.9	5.4	-2.9	-1.3	2.8	-2.3	-0.6
Swiss franc (EUR-SFR)	-3.7	-3.7	-6.1	0.8	-2.9	-14.4	-1.0
Japanese yen (EUR-JPY)	2.3	9.7	13.6	1.9	11.4	44.8	-0.9
COMMODITIES (CHANGE, IN %)							
Commodity Index (GSCI, in USD)	-1.9	5.2	4.0	36.7	80.8	164.6	17.4
Industrial metals (GSCI, in USD)	34.3	-6.5	-15.5	9.6	29.2	49.9	6.3
Gold (in USD per fine ounce)	-1.1	5.1	4.7	37.4	83.9	175.9	18.0
Crude oil (Brent, in USD per barrel)	60.8	-2.8	-6.4	-3.5	-16.4	17.3	7.8

Source: Refinitiv Datastream, The Investment Institute by UniCredit (as of 26 January 2026)
Note: Past values and forecasts are not a reliable indicator of future performance. Indices cannot be purchased and therefore do not include costs. When investing in securities, costs are incurred which reduce the performance. The return on investments in foreign currencies may also rise or fall as a result of currency fluctuations. So-called synthetic bonds are calculated to reflect the performance of government bonds in a fixed maturity range. In each case, the most "suitable" real federal bond at the relevant time is used as a reference for the yield opportunity of the synthetic bond. The development of the expected yield to maturity is shown under the following conditions: servicing of interest payments and redemption in accordance with the terms and conditions and holding until maturity. In this respect, it is a yield opportunity. The yield opportunities reflect the different risk assessments of the investors for the respective products or countries (higher yield opportunity=higher risk assessment). The synthetic bonds cannot be purchased and therefore do not include any costs. In the case of currencies and commodities, acquisition and/or custody costs incurred are not included.

UniCredit S.p.A.
The Investment Institute by UniCredit

Address
Piazza Gae Aulenti, 4, 20154 Milano

Email
the-investment-institute@unicredit.eu

Online
www.the-investment-institute.unicredit.eu

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Information and data contained in this document is updated as of 26 January 2026.