

SARASIN

Six Minute Strategy

Loose Money, Hard Power

January 2026

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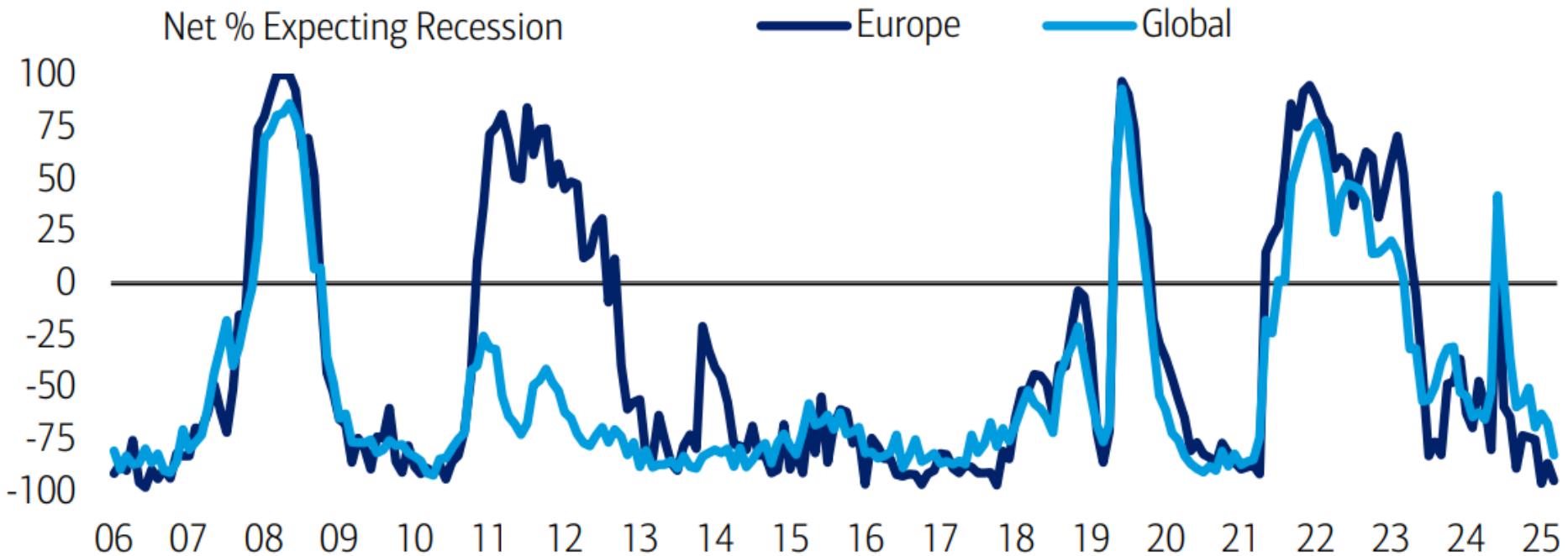
Economic optimism at record highs

Consensus belief that we will avoid a recession in 2026 is near record highs



BofA Survey suggests 95% of European investors see no recession in Europe over next 12m

How likely do you think it is that the economy in this region will see a recession over the next 12 months?



Source: BofA European & Global Fund Manager Survey

BofA GLOBAL RESEARCH

Source: Bank of America Fund Manager Survey Jan 2026

2026 Global Macro backdrop

Why are investors so positive?

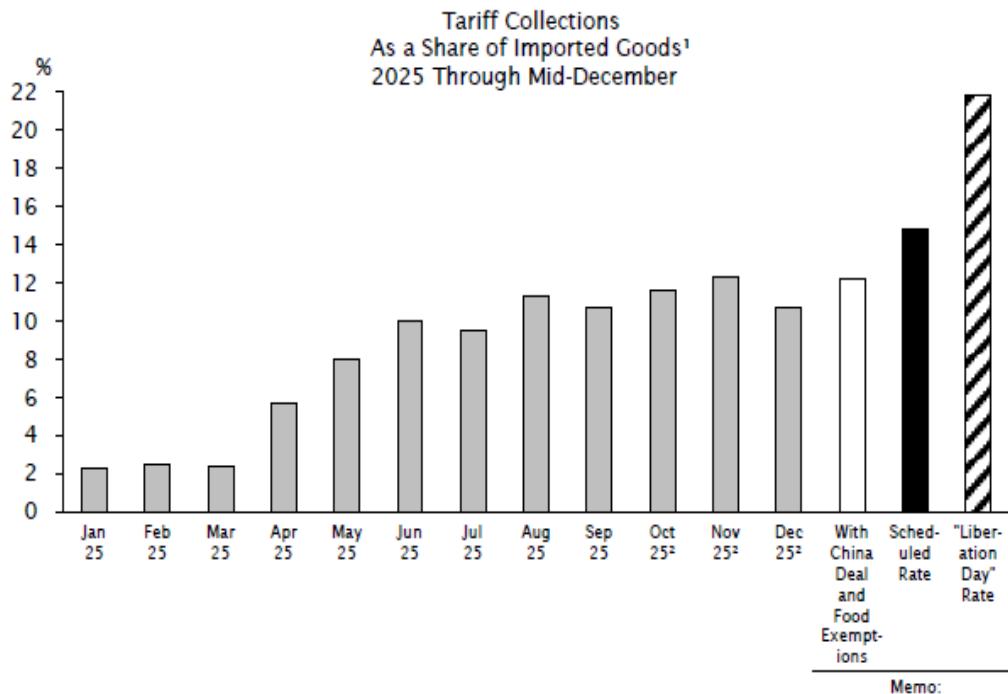
View	Rationale	Implication
Strong nominal GDP environment.	Real growth driven by a positive fiscal impulse. Inflation easing but remains above target.	<i>Good backdrop for risk assets (Developed and EM equities).</i>
Geopolitics – messy but unlikely to disrupt equity market <i>for now</i> .	Tensions easing, but USD payments system remains weaponised.	<i>Overweight gold and other metals, underweight USD.</i>
AI remains in the driving seat.	Important contributions to GDP growth and market returns.	<i>AI opportunities are widening across sectors and regions.</i>

1. US: Tariff exemptions are growing

Tariff collections lower than originally planned – consumer a priority for the White House



Tariff collections rates falling from Liberation Day highs



Source: U.S. Treasury, Census Bureau, Bloomberg L.P., Empirical Research Partners Analysis.

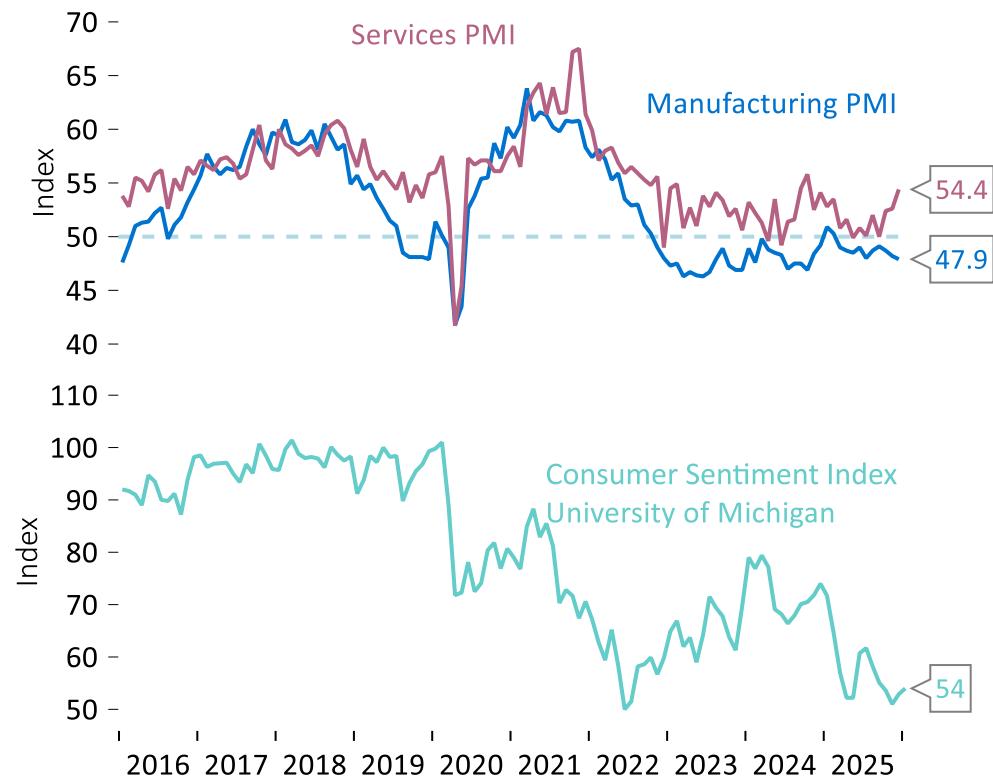
¹Monthly Federal custom duties receipts through November 2025, goods imports on a nonseasonally-adjusted Census basis through September 2025.

²Goods import estimates based on bill-of-lading imports and the daily U.S. Treasury statements.



Services sentiment recovers – consumer may have bottomed

United States, Business Surveys, ISM, Report on Business, SA, Index



S Source: Macrobond, 19.01.26

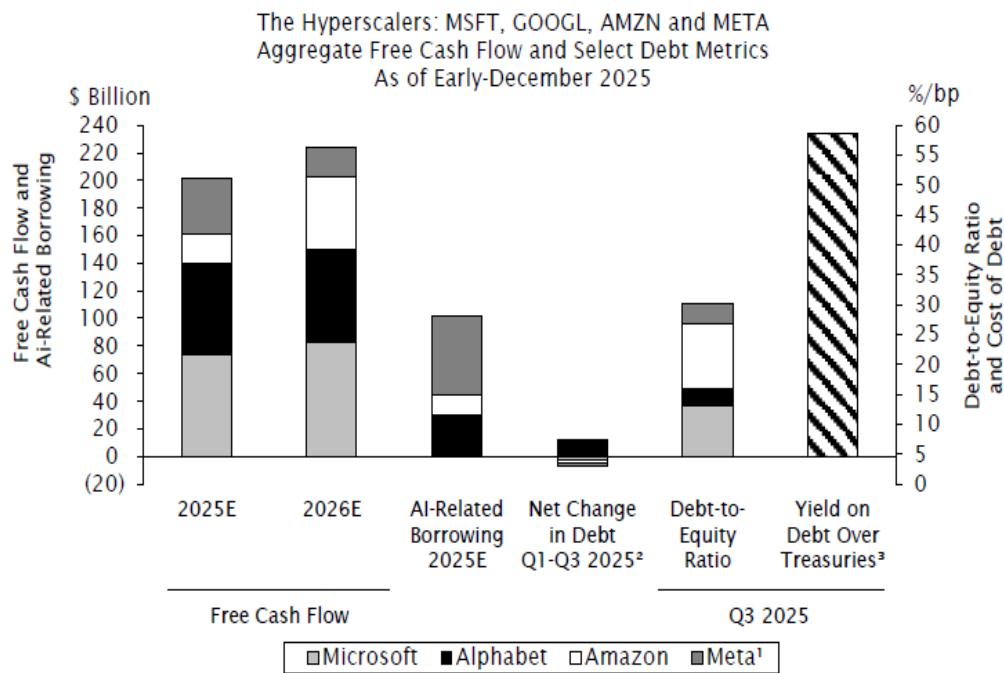
Past performance is not a reliable indicator of future results and may not be repeated.

2. AI: debt funding rises but overall leverage still low

AI debt funding not problematic while earnings and cash flow remain robust



Borrowing rising but debt-to-equity remains low



Source: Company Reports, Empirical Research Partners Analysis.

¹Meta's debt includes \$27 billion raised in joint venture with Blue Owl for a Louisiana data center.

^aDebt issued less debt retired.

³Average of the four stocks.



Mag 7 still leads forecasted global earnings growth

Bloomberg forecast earnings growth



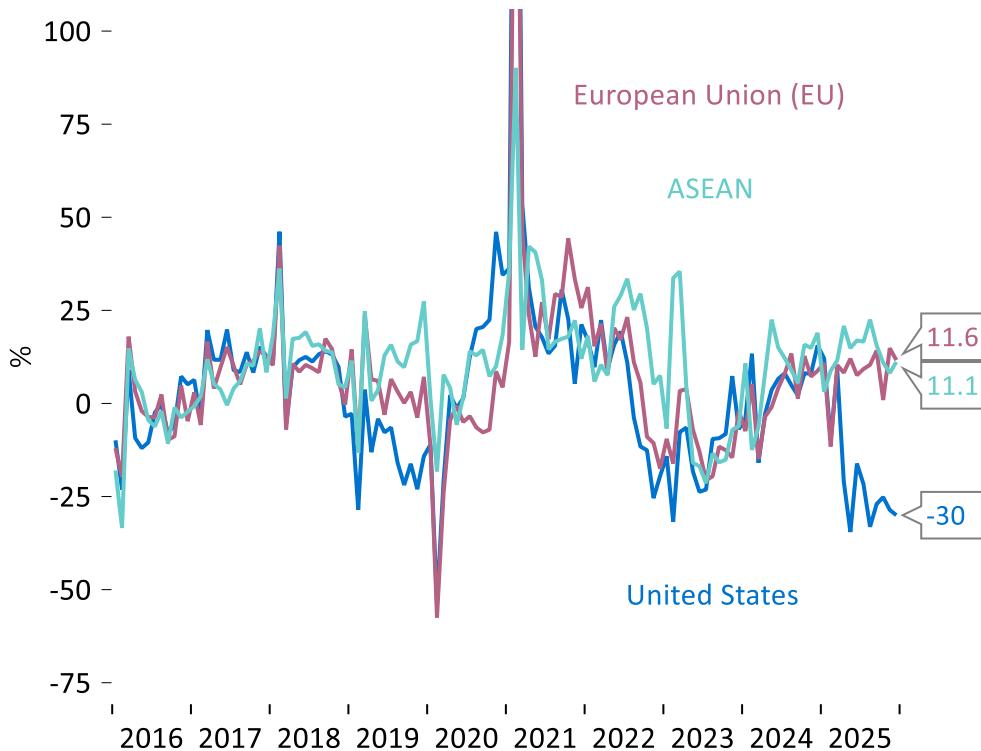
Source: Empirical Research, December 2025

3. China: exports have held up despite US trade war

China exports to Europe risk tariffs or other trade barriers

Exports diverted from the US – Europe/Asia swamped

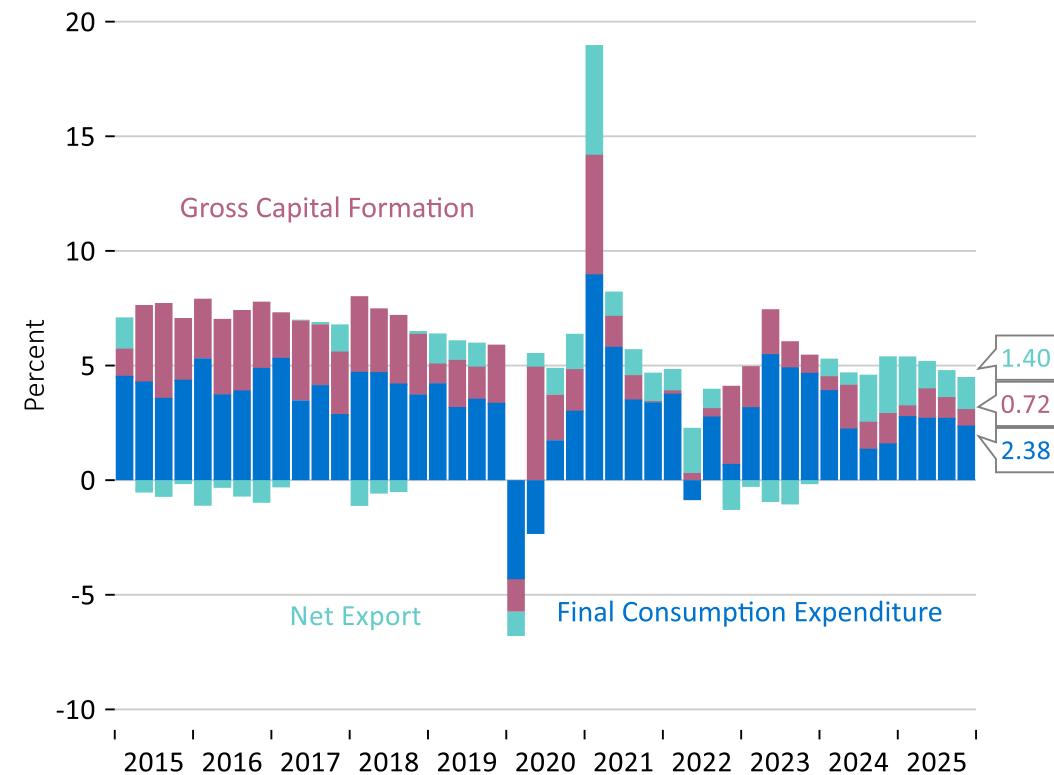
China, foreign trade, export, by country/region, export, value (Macrobond calculated), USD



Source: Macrobond, 21.01.26

Consumer spending weak – government stimulus likely

China Contribution to GDP - change Y/Y



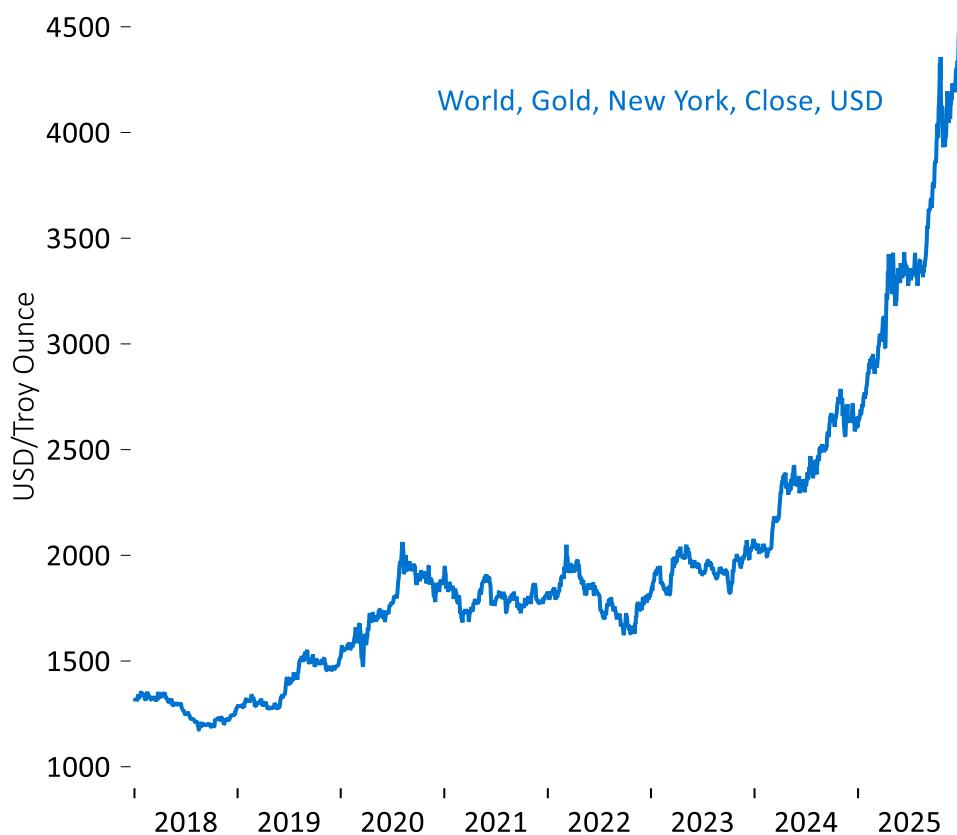
Source: Macrobond, 19.01.26

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4. Gold overweight continues

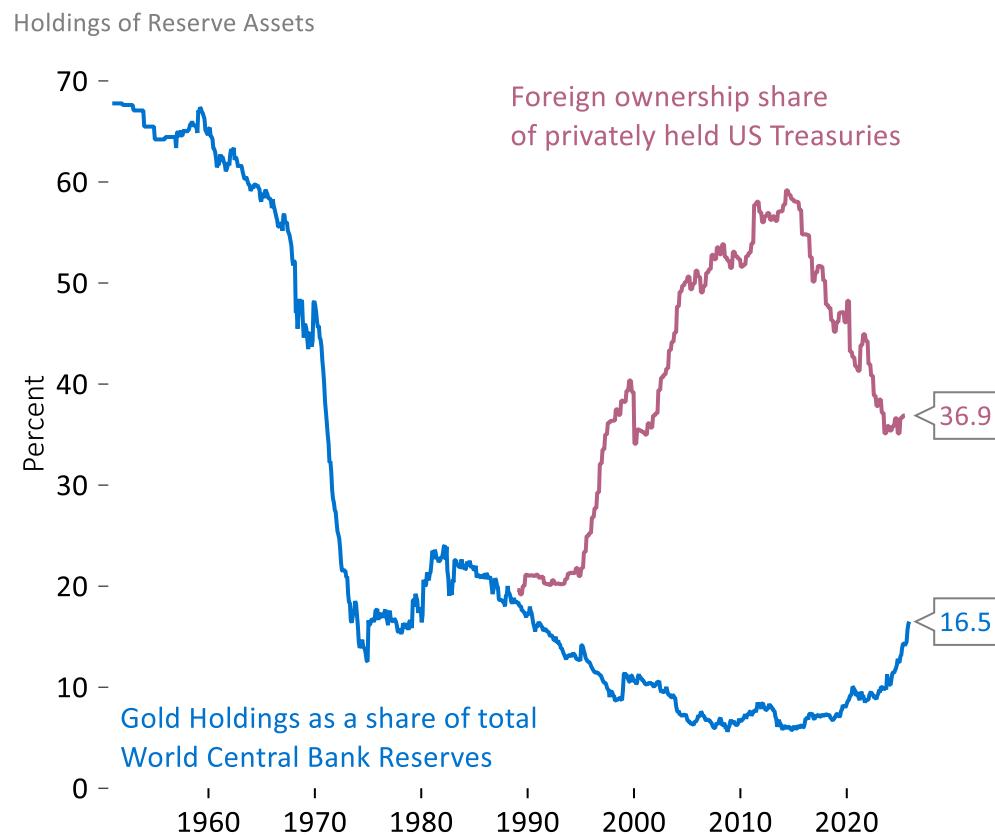
Long-term demand supported by central bank diversification away from US Treasuries

Gold price



Source: Macrobond, 22.01.26

Reserve managers showing a preference for gold



Source: Macrobond, 22.01.26

Policy summary

Global strategy – January 2026

Bonds: Underweight	<ul style="list-style-type: none">UW government bonds: inflation risks – economies running hot – no political will to reduce deficits.UW credit: spreads remain historically tight – risk/reward balance unfavourable.
Equities: Overweight	<ul style="list-style-type: none">OW equity: global equity earnings remain robust, with strong buybacks and dividend growth.Valuation: earnings continue to climb – revisions positive – buybacks near record levels.
Alternatives: Overweight	<ul style="list-style-type: none">OW alternatives: favour absolute return funds – private equity – transition metals.OW gold: ongoing emerging-market central bank buying continues to support demand.
Cash: Strongly Underweight	<ul style="list-style-type: none">US dollar to depreciate over the long term.Euro and emerging world currencies continue to rally.Japanese yen and sterling neutral.
Risks	<ol style="list-style-type: none">Liquidity/credit squeeze – equity valuations shrink – wealth effect triggers recession.Stagflation – sticky core inflation – yield curves steepen – bond vigilantes return.Climate – extreme events increase – unravelling of Paris goals – China takes leadership of climate agenda.

Source: Sarasin & Partners, January 2026

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