Perspectives

Market and allocation

Our experts monthly overview

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Ofi invest
Asset Management

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A glossary listing the definitions of all the main financial terms can be found on the last page of this document.

OUR CENTRAL SCENARIO

Star Warsh[1]

Donald Trump has put an end to the suspense in nominating Kevin Warsh as Jerome Powell's successor at the head of the US Federal Reserve. This nomination of an economist with solid academic credentials, who is regarded as hawkish[2] and has long been opposed to monetising debt, reassured the markets on the Fed's independence and credibility. The nomination also triggered a steep drop in precious metal prices. Gold and silver, which had been driven up by growing concerns of an iconoclastic move by Trump, gave up most of their (overdone) year-to-date gains.

2025 basically spilled over into January 2026, a busy month to say the least, paced by disruptions and geopolitical tensions. Meanwhile, the markets remained focused on economic fundamentals. On both sides of the Atlantic, growth remains robust, particularly in Europe (1.5% in 2025, the level we were expecting for 2026), and price rises remain under control. Against this backdrop, central banks are likely to stay on the sidelines in the coming months.

That being said, growth continues to be driven in part by fiscal deficits and, hence, by government debt. German and US yields have priced in these additional financing needs and still seem to be at their target levels. What's new is Japan, where the new government's policies have sent bond yields up sharply. This will be worth keeping an eye on in the coming quarters, as it will take time for savings/financing equilibria to adjust after more than 10 years of low rates.

Credit markets have fared very well and have easily absorbed primary market issuance so far this year. We reiterate our view on corporate bond segments – constructive but clear-headed – constructive as euro high yield and investment grade yields are still highly protective and reassure us that performances will be satisfactory in 2026; and clear-headed, as credit spreads are excessively narrow, thus making risk asymmetric, an argument for moderate risk-taking in this asset class.

Equity markets began the year on a high note, with a more even balance between sectors in the US, with artificial intelligence (AI) calming down and, in contrast European stocks driven mainly by a single stock. Reporting season is likely to bring some volatility against a backdrop of highly priced markets and the lack of a risk premium, which would mean heavy blowback in the event of disappointment. We nonetheless remain bullish on the year, in view of earning forecasts, particularly in Asia.

[1] A reference to the nomination of Kevin Warsh at the head of the US Federal Reserve.
[2] Hawkish: one who prioritises fighting inflation.

Our views as of ***04/02/2026***

BONDS

Despite international tensions, the economic outlook and central bank plans look well settled and are providing strong support to the bond markets. We expect no shifts from the Fed or the ECB in the coming months and believe that 10-year US and European yields are also at equilibrium. With this in mind, we are neutral on rates while sticking to a constructive bias, based mainly on a carry strategy. More marginally, we believe that European rates offer a little more potential than US ones. We therefore may raise portfolio durations if opportunities arise to do so. Nor are we changing our views on the credit market. A carry strategy is still attractive, with a structural edge going to high yield. We nonetheless reiterate our cautious message on spreads and the need for selectiveness.

EQUITIES

We reiterate our positive view on equities. Monetary policies remain slightly accommodative, while fiscal stimuli continue to drive global economic growth, which, in turn, is the main driver of earnings growth. True, US markets are trading above their long-term median, but this looks justified by sustained earnings growth. Valuation multiples are more moderate in the euro zone, despite the gradual effects expected from the German "double bazooka" stimulus plan. We are leaving our geographical weightings unchanged.

CURRENCIES

We are sticking to our neutral stance on the euro-dollar exchange rate. We believe that monetary policy expectations are well-founded on both sides of the Atlantic. Meanwhile, while it may remain under pressure from the Trump administration's unprecedented interference with US institutions, counterforces do exist for the dollar. For one thing, not all the foundations of American exceptionalism have vanished. Moreover, investors' short positions on the dollar could play a contrarian role and push the dollar back up.

MACROECONOMIC VIEW

All eyes are on ***the "America First" strategy***

Ombretta Signori
Head of Macroeconomic Research and Strategy
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The start of the year has been dominated by the initiatives of the US president, Donald Trump. Domestically, the overriding issue remains purchasing power in the run-up to 2026 mid-term elections, with measures aiming to lower the cost of mortgage and consumer financing. In foreign policy, the White House has reiterated its determination to stick to the national security strategy it released last November. It has refocused its "America First" doctrine on domestic security and strategic competition, particularly as regards China, in order to preserve American power. It is in this light that tariff threats must be seen (with regards to Europe and Canada), as well as decisions on Venezuela, Greenland and Iran.

But political surprises have also come from Asia. In Japan, the prime minister dissolved the lower house of the Diet in early February and called for early legislative elections. Electoral promises, including one to reduce food taxes, have maintained fears of a more expansionary fiscal policy, triggering steep volatility in interest rates and currencies. In such a challenging geopolitical context, the US economy ended 2025 on a solid growth trajectory, driven mainly by robust consumer spending despite the longest shutdown[1] in US history. Based on available information, consumption may have risen by an annualised 2% to 3% in the fourth quarter. However, the weakening in disposable real income, and the fact that spending was mainly in recreational goods and services, restaurants and hotels suggests that household consumption is still highly polarised. The wealthiest individuals, most of whom invest in the equity markets, are riding a wealth effect produced by strong market performances. As the year begins, tax refunds from the budget approved in 2025 are expected to be a factor in support of consumption.

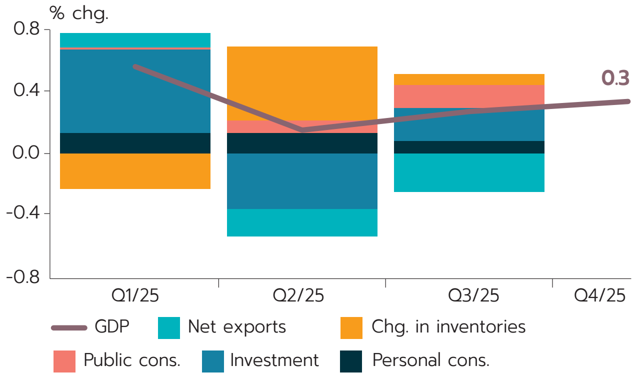
PENDING THE RECEDING OF US INFLATION

Although US total inflation remains closer to 3% than to the 2% target, its various components seem to be well on track. Disinflation in services continues, and the transmission of the impact of tariffs into goods prices appears to have levelled off, which suggests a gradual receding of inflation towards the target by yearend. The US Federal Reserve nonetheless continues to face risks on both of its mandates. On the one hand, the job market remains shaky; on the other hand, in inflation, a delayed impact of tariff hikes on prices is still possible, while fiscal stimulus could maintain inflationary pressures. We have made no change to our expectations: in the event that the job market continues to stabilise, the Fed may make lower its rates once or twice later this year, once the receding of tariff-driven inflation has been confirmed. Rate cuts are likely to come later, under the term of Kevin Warsh, who has been nominated by Donald Trump as the new Fed chair.

RESILIENT GROWTH IN THE EURO ZONE

The euro zone ended the year with satisfactory growth of +0.3% in the fourth quarter (and 1.5% for the full year 2025), a pace that, based on available hard data and business surveys could spill over into early 2026, thanks to domestic demand that seems to have firmed up. The periphery continues to delivery positive growth surprises. Spain remains the top-performing country in the euro zone, while Germany also delivered a positive surprise with 0.3% growth on the quarter. Other proof of these good macroeconomic performances can be seen in the jobless rate in Spain, which fell below the symbolic level of 10% for the first time since 2008, and in Italy, where unemployment is at an all-time low at 5.6%. In both cases the absence of abnormal wage pressures suggests that this could last. In the euro zone on the whole, unemployment is at 6.2%. This resilience in the economy should reassure the European Central Bank (ECB) that no new rate cuts are necessary in the short term. Total inflation, which had already reached the target in late 2025, moved below 2% in January and is likely to remain there for most of the year. The recent strengthening of the euro may carry greater weight in discussions going forward.

EURO ZONE GDP



Sources: Macrobond, Ofi Invest Asset Management as of 02/02/2026.

(1) *Partial closing of public services when Congress is unable to pass a budget before then end of the fiscal year.*

Interest rates ***keep their cool***

Geoffroy Lenoir
Co-CIO, Mutual Funds
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A new stage in the Trump administration's strategy unfolded in January 2026. After an isolationist policy marked by the tariffs episode, the US has switched to interventionism (in Venezuela, Greenland, Iran and elsewhere), while US immigration and domestic security policy has been tarnished by several controversies. Meanwhile, Donald Trump's popularity has fallen with mid-term elections looming on the horizon. Late in the month, the nomination of Kevin Warsh as chair of the US Federal Reserve was regarded as a return to the sort of pragmatism that the markets had almost given up on. Gold and silver immediately plummeted on the news.

In light of (geo)political tensions, volatility in interest rates might have been expected to return. Such was not the case! Volatility in US interest rates receded, with the Move index hitting 55.8 basis points in January, a low since September 2021 and well below its long-term average. On the month, the US 10-year yield rose from 4.17% to 4.24%. The Bund moved even less, continuing to hover around 2.85%. The Fed's status quo didn't surprise anyone, but internal divergences reminded us how shaky this equilibrium still is. Some governors believe that monetary policy is still overly restrictive and that rate cuts will be needed to support an economy that is slowing its fits and starts. Other, more hawkish governors believe that inflation is still not anchored closely enough to the target to ease policy. And then there are market expectations, which continue to bet on an easing in the spring or early summer, supported in this view by some fragmented data pointing to a slowing in prices.

In Europe, the European Central Bank has flagged that it will stick to the status quo. Members of the ECB Governing Council are firm in their belief that current rates are appropriate and that there is no reason for additional tightening. Japan, meanwhile, is maintaining its gradual approach. The Bank of Japan is sticking to a continued highly accommodative policy against a backdrop of new elections and upward pressures on bond yields. Given the yen's weakness and concerns over the government's fiscal policy, the Japanese 30-year yield ended the month at 3.63% after hitting an all-time high of 3.85% on 20 January.

THE PACE OF CORPORATE BOND ISSUANCE IS BEING DRIVEN BY THE QUEST FOR CARRY

During the month, **European corporate bonds were one of the best-performing segments**. Issuance levels were exceptional, driven by several companies wanting to strike while the iron was hot. The first weeks of January saw record volumes in both number of issues and in cumulative amounts. Despite this heavy issuance, the market has shown no signs of gasping for air. Demand has remained strong, driven by investors in search of yield in an environment of stabilised interest rates. Investment grade spreads in Europe have thus stayed on a rather calm trajectory, driven by both an impression of macroeconomic solidity and a general increase in risk appetite, including in the US. The pace is almost perfect for this market and can remain so, but not forever in our opinion.

The outlook for the coming weeks will be driven by this contrasted but constructive environment. With long bond yields likely to trade close to their current levels, **the quest for carry continues and is supporting the bond markets. So far this year, there is an impression of an organised and disciplined market that, for the moment, is rather confident in its ability to weather the risks.**

FIGURE OF THE MONTH

55.8

The level hit by the ICE BofA MOVE index, a measure of volatility in US interest rates, on 26 January 2026, a low since September 2021.

PERFORMANCES
Bond indices with coupons reinvested

	January 2026	YTD
JPM Emu	0.65%	0.65%
Bloomberg Barclays Euro Aggregate Corp	0.76%	0.76%
Bloomberg Barclays Pan European High Yield in euro	0.80%	0.80%

Sources: Ofi Invest Asset Management, Refinitiv, Bloomberg as of 30/01/2026.
Past performances are not a reliable indicator of future performances.

Watch out for disappointments in earnings

Éric Turjeman
Co-CIO, Mutual Funds
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Hard to believe that only one month has passed by in 2026. And yet, one month has been enough for Donald Trump to have the Venezuelan presidential couple arrested, to pressure all of Europe on the topic of Greenland, and to force Jerome to take a public stance through a statement that reaffirms the US Federal Reserve's independence. All of this drove precious metals even further up, to new highs in January (prior to their month-end correction), along with oil, which gained 15% on the month, while the dollar fell under further pressure.

THE YEAR BEGAN STRONG FOR LAGGARDS

Rallies were numerous in January, whether by small caps, commodity and oil stocks, or some consumer discretionaries. It would appear that investors bought into expectations that earnings growth would spread to all sectors and trading boards, in contrast to 2025, when growth was focused on artificial intelligence (AI). Earnings reports now coming out are likely to confirm this trend. But one thing is already clear: equity volatility is back.

MARKET SANCTIONS CAN BE MERCILESS

Expectations are high on a market that is still expensive, and disappointments are sanctioned mercilessly, as seen recently in the US with Microsoft*. Investor patience appears to have run out on the payoff of AI-related infrastructure spending.

A mere 1% gap in organic growth (38% growth in cloud businesses, whereas the market was expecting 39%) can cause more than 400 billion dollars in market cap to vanish in a single trading session. It's going to be a long year in 2026... In Europe, as well, surprises have not been well received. SAP* can tell us all about this after putting out numbers that were impressive but fell just short of forecasts. The result: the stock plummeted by 16% in just one trading session, attesting to the doubts of a market that fears that AI will disrupt the business models of the software industry as a whole. Nor were the "decent" numbers from Richemont* and LVMH* enough to give the luxury goods sector a breath of fresh air, as concerns are now focused on how able those companies will be to maintain their margins. Market darlings have changed, and neither luxury goods, nor software are part of that group. ASML* is the only survivor of the former market darlings, and is already up by more than 30% on the year to date. Booming demand for memories, alongside the ramp-up of AI has caused bottlenecks worldwide while driving prices 30% to 40% higher. ASML* has ridden the wave, driven by capacity needs that have far exceeded analysts' expectations.

Emerging markets, meanwhile, were driven up by the dollar's weakness. They were the top performers in January, followed by Japan, which will be hanging on the outcome of the elections to the lower house of the Diet, which Sanae Takaichi has just dissolved. On the wave of excellent polling numbers, the prime minister could consolidate her hold on power through a more solid majority. This may look like a risky bet, but a victory would probably accelerate the pace of previously announced reforms, including in the area of taxation. In any case, a close eye should be kept on yen volatility.

FIGURE OF THE MONTH

+32%

By ASML*, the EuroStoxx's largest cap, which alone accounted for 60% of the index's performance in January!

PERFORMANCES
Equity indices with net dividends reinvested, in local currencies

	January 2026	YTD
CAC 40	-0.28%	-0.28%
EuroStoxx	2.85%	2.85%
S&P 500 in dollars	1.42%	1.42%
MSCI AC World in dollars	2.96%	2.96%

Sources: Ofi Invest Asset Management, Refinitiv, Bloomberg as of 30/01/2026.
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**These companies are cited for information purposes only. This is neither an offer to sell nor a solicitation to buy securities.*

"Beyond Geopolitics"!

Jean-Marie Mercadal
CEO
SYNCICAP AM

The international geopolitical context is experiencing some severe turbulence, which is causing concerns and uncertainties. While this could stoke short-term volatility, it mustn't hide the fact that global economic and financial trends are still in rather good shape, particularly in emerging market economies.

The post-war international order seems to be falling apart before our very eyes, and that is raising lots of concerns. Major institutions such as the UN and NATO are being challenged and "happy" globalisation is giving way to a more conflictual and multipolar world. **Experience has shown that while geopolitical disruption can cause bouts of steep volatility, economic forces ultimately prevail**.

EMERGING MARKETS ARE WELL POSITIONED

In light of the above, this looks like a rather healthy backdrop for emerging markets. Global growth is satisfactory at around 3%, with a very favourable outlook for global productivity, thanks to developments in artificial intelligence (AI), robotics and biotechnologies in particular. Corporate earnings are trending up; monetary policies are being eased; and the dollar is under downward pressure.
2026 could therefore continue along the lines of 2025, when emerging markets outperformed developed markets for the first time since the financial crisis. In the 2000s, their more robust growth showed up in their equity performances, but from 2010 on they were undermined by the US tech boom, lower commodity prices, and a stronger dollar. Nowadays, a weaker dollar and higher commodity prices are giving emerging-market producers a boost. They still look undervalued, and their earnings momentum is improving.

THE OUTLOOK ON CHINA

China's 2026 growth target is expected to be between 4.5% and 5.0%. Support measures will have to be taken to counteract the gradual slowdown of recent quarters. It will be worth keeping a close eye on the government's annual meeting on economic issues, scheduled for March/April. Two realities co-exist side-by-side in China today. First, the export oriented industrial sector, technology and cutting edge industries in areas such as semiconductors, robotics and green industry, which are performing well. Secondly, the Chinese real estate sector which is slow to recover and weighs heavily on household morale at a time when the government wants the country's economy to rely more on its own strength. The new growth model that China is aiming at will be driven by consumption, technology and AI integration in all sectors, along with an improvement in the service economy. **In the short term, Chinese equities could enter a more stable phase** as the government does not want the market to get carried away or to be overly volatile. It is, in fact, hoping for a slow bull market. Even so, the period around April could provide a boost, with the announcement of possible support measures and the summit meeting between Presidents Donald Trump and Xi Jinping. Both sides seem to want to reach an agreement that is satisfactory for both countries. Keep in mind that Chinese equities are still moderately priced, at P/E ratios of about 13.5, with earnings growth forecast at between 10% and 15%.
This momentum is spilling over into other Asian countries, notably those that have companies that are well integrated into the global AI value chain, such as Korea, Taiwan, and Malaysia. The MSCI EM Asia ex China index gained 7% (in euros) in January. The current pace of AI stocks looks unsustainable in the short term but in this investment universe there are important countries such as India, that have relays that could take over in the medium term.
On the bond markets, 2026 could be more volatile, but we still see some upside potential, particularly in some Latin American countries that are currently offering especially high absolute and real yields.

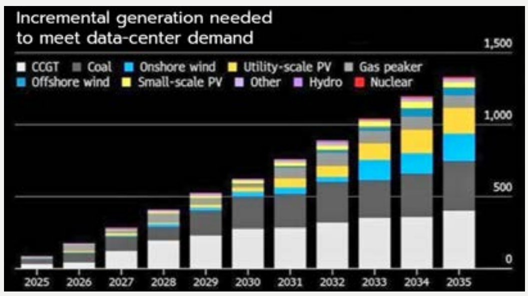
FIGURE OF THE MONTH

7.5%

The performance, in euros, in January of the MSCI Emerging Markets index, vs. +1% for the MSCI World index (ie developed markets).

NATURAL GAS AND COAL WILL COVER MOST AI ELECTRICITY DEMAND

The ESG (environmental, social and governance) issues raised by AI will soon be thrust into the spotlight. Datacentres and training models are quite energy-intensive, and the additional power required to drive this sector could come mostly from fossil fuels. This is less the case for Chinese AI companies, which are tapping into the green capacities created in recent years.



Source: BloombergNEF - January 2026
Past performances are not a reliable indicator of future performances.

GLOSSARY

Carry: a strategy that consists in holding bonds in a portfolio, possibly even till maturity, in order to tap into their yields.

Credit risk: in bond management, this is the risk that a bond's issuer will be unable to repay the principal or interest owed to investors.

Credit spread: difference between the yield differential of a private corporate bond with that of a sovereign bond of the same duration, considered to be the least risky (the benchmark government bond).

Duration: weighted average life of a bond or bond portfolio expressed in years.

Inflation: loss of purchasing power of money which results in a general and lasting increase in prices.

Inflation breakeven rate: the difference between the yield on a traditional bond (nominal yield) and the yield on its inflation-indexed equivalent (real yield).

Investment Grade/High Yield credit: Investment Grade bonds refer to bonds issued by borrowers that have been rated highest by the rating agencies. Their ratings vary from AAA to BBB- under the rating systems applied by Standard & Poor's and Fitch. Speculative High Yield bonds have lower credit ratings (from BB+ to D, according to Standard & Poor's and Fitch) than Investment Grade bonds as their issuers are in poorer financial health based on research from the rating agencies. They are therefore regarded as riskier by the rating agencies and, accordingly, offer higher yields.

Risk premium: reflects the additional return demanded by investors compared to a risk-free asset

Sensitivity: bond sensitivity is a measure that indicates how a bond's price reacts to changes in interest rates.

Spread: difference between rates.

Volatility: corresponds to the calculation of the amplitudes of variations in the price of a financial asset. The higher the volatility, the riskier the investment will be considered.

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