

Asset allocation views: paving the way for growth

With 2025 now one for the history books, we can reflect on a year that saw heightened geopolitical uncertainty, the imposition of tariffs by the United States, and shifting trading patterns. Now, despite these potential headwinds, risk markets managed yet another impressive year, with many equity markets gaining in excess of 30%. Albeit with a sizable correction in the second quarter.

It's notable that 2025 was not dominated by strong U.S. equity markets and the U.S. dollar. 2025 was a year when the power of diversification came through. The U.S. market was actually a laggard when compared to developed markets, emerging markets and even the Canadian market. Now part of that story was a weaker U.S. dollar, which while being supportive of international markets, also had the knock on effect of igniting a powerful rally in some select commodity markets with precious metals such as gold and silver enjoying explosive gains.

Now looking to 2026, the outlook is largely positive. Global economies are advancing at a measured pace. Central banks are still desynchronized, with the Bank of Japan having another hike in the pipeline, with the ECB—European Central Bank—and the Bank of Canada very much resting comfortably at neutral, while the U.S. Federal Reserve in New York is still very much into easing mode for 2026. With earnings growth bordering on robust for economies across the globe, 2026 starts with the conclusion that, according to our research, we're back in a Goldilocks-type market, at least for now. Markets are focused, if not obsessed, with the AI theme and all the accompanying capital investments and expenditures that go along with that have been a tailwind for markets and for major economies—with the United States being the largest but not sole beneficiary of that.

Finally, we expect to see opportunities in 2026 to navigate what's emerging as a multipolar world, and we're going to rely on diversification and a risk management framework to deal with the inevitable challenges and uncertainty. You'll find more details and analysis on the website. Thank you for watching.