The Way We See It

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Goji Consulting Limited

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INSIDE THIS ISSUE

What will the New Lunar Year of the Fire Horse bring?

A brief update report which serves to review the recent market development and to offer our outlook for the rest of the year and beyond.

Review of Developments

- Global Economies

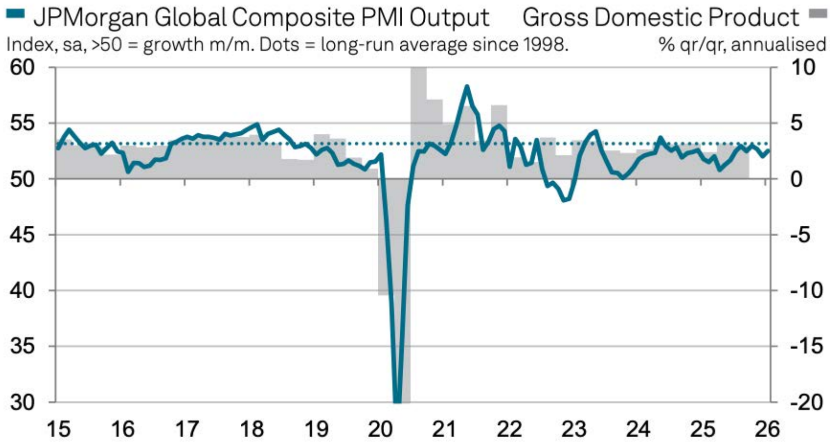
The Federal Reserve Bank of Atlanta's GDPNow estimate indicates US growth of c.5.4% annualised in Q4, with 2025 expected to deliver a resilient 3–3.5%. This compares starkly with Europe and Japan, where GDP is projected at only c.1% per annum.

The divergence reflects robust household consumption, a rebound in net exports, and significant capital investment in artificial intelligence. However, softer labour market signals—subdued non-farm payroll growth in December, shaped by tariffs, immigration dynamics, and displacement from AI productivity gains—temper momentum.

Elsewhere, activity in Europe and Japan is improving only gradually, constrained by structural fragilities and geopolitical uncertainty. China continues to post positive growth, supported by net exports, though weak consumer sentiment and property market softness weigh on domestic activity.

Inflationary pressures across OECD economies have broadly stabilised. Core inflation in Europe and Japan has converged towards 2%, while in the US the PCE deflator has eased to c.2.7–3%, still above the Federal Reserve's long-term target.

J.P.Morgan Global Composite PMI™



Source: J.P.Morgan, S&P Global PMI,

US monetary policy remains neutral for now.

Following the 75bps reduction in the Federal Funds rate to 3.50–3.75% last year, the January FOMC meeting concluded that monetary policy is broadly neutral, reflecting a balance of solid GDP growth and moderating inflation.

Looking ahead, geopolitical risks have re-emerged as a key headwind for 2026. Political instability in Venezuela and Greenland, continued tensions in Ukraine, and unresolved issues involving China, Japan, and Taiwan pose material threats to regional stability and global supply chains. These dynamics underscore the importance of incorporating geopolitical risk into strategic asset allocation frameworks.

- Global Markets

Review of the Month of January 2026

US equities rallied in January, led by semiconductor manufacturers, metals and minerals, and small caps, reflecting a strong cyclical bias. The megacap technology leaders of 2023–25 paused, allowing breadth to improve.

Outside the US, equity markets delivered robust gains, supported by diversification flows and relative value opportunities. Europe, Japan, and selected emerging markets benefited from expectations of stronger GDP growth and a gradual recovery in corporate earnings. The prevailing narrative of AI-driven expansion, alongside accommodative fiscal and monetary policies, continues to underpin upward revisions to global growth and earnings forecasts. Consensus suggests monetary policy across OECD economies will remain broadly supportive, complemented by ongoing fiscal stimulus.

Institutional investors added selectively to equities, though muted participation raises concerns about elevated valuations in AI-related segments and the sustainability of the rally. The Fed's decision to remain on hold also removed a positive tailwind for risk assets.

RoW outperformed US in Jan; USD continued to weaken.

Near-term performance of various asset classes

Asset Class	US Equities	Global Equities	Global ex US Equities
Index	MSCI USA	MSCI World	MSCI World ex USD
1 month	1.29%	2.26%	4.73%
3 months	1.33%	3.44%	9.04%
YTD	1.29%	2.26%	4.73%
FY 2025	17.75%	21.60%	32.55%

Asset Class	US Corporate	US Treasury	US Aggregate
Index	Bloomberg US Corporate	Bloomberg US Treasury	Bloomberg US Agg
1 month	0.18%	-0.09%	0.11%
3 months	0.63%	0.19%	0.58%
YTD	0.18%	-0.09%	0.11%
FY 2025	7.77%	6.32%	7.30%

Asset Class	Global Govt Bonds	Global Aggregate	GEM Equities
Index	Bloomberg Global TSY	Bloomberg Global Agg	MSCI EM
1 month	0.87%	0.94%	8.86%
3 months	0.98%	1.43%	9.48%
YTD	0.87%	0.94%	8.86%
FY 2025	6.82%	8.17%	34.36%

Asset Class	Asia ex Japan Equities	China A	China Offshore
Index	MSCI AC AxJ	MSCI China A Onshore	MSCI China
1 month	8.21%	4.45%	4.70%
3 months	8.03%	7.09%	0.85%
YTD	8.21%	4.45%	4.70%
FY 2025	33.02%	30.26%	31.42%

Asset Class	Global Commodities	Gold	USD
Index	CBR	Spot Price	Norm. Broad USD Index
1 month	7.48%	13.37%	-1.85%
3 months	5.80%	22.30%	-3.18%
YTD	7.48%	13.37%	-1.85%
FY 2025	0.37%	65.51%	-7.24%

Source: GOJI, MSCI, Bloomberg; data as of 31/1/2026

Global equities rose 2.3% in January (USD terms). US equities gained 1.3%, developed markets ex-US advanced 4.7%, and emerging markets surged 8.9%. US Treasuries declined marginally (-0.1%), while global bonds rose 0.9%. Commodities strengthened, with silver and gold extending their upward trajectory. Gold recorded a sharp 13.4% increase, though subsequent liquidation by leveraged retail buyers triggered one of the largest single-day declines in precious metals. The US dollar depreciated by 1.9% over the month.

Market Outlook

1st Quarter 2026

GOJI's outlook for the opening months of 2026 remains constructive, consistent with the perspective outlined previously: supportive conditions in the first half of the year, with a more challenging backdrop anticipated thereafter. The sudden escalation of US involvement in Venezuela has, however, disrupted an otherwise stable equity environment, adding a fresh layer of geopolitical uncertainty.

GOJI: outlook remains constructive for the opening months.

Thematic drivers continue to underpin a positive bias. Artificial intelligence, the broadening of market leadership, expectations of a Federal Reserve pause (or potential easing with the forthcoming change in chairmanship), and seasonally favourable dynamics in early 2026 all provide support. Yet, the broader environment remains characterised by macroeconomic imbalances, elevated valuations, high retail participation, and persistent geopolitical risks.

The US economy is expected to sustain strong momentum, aided by tax refunds and cuts following the passage of the Big Beautiful Bill, ongoing monetary easing, robust capital expenditure in AI, and a near-fully employed labour market. Nonetheless, core inflation trends remain, in our view, an under-appreciated risk within US financial markets.

Outside the US, conditions are broadly supportive, provided trade tensions do not intensify. Europe and

China have introduced expansionary fiscal and monetary measures to stabilise growth and offset US trade actions. These interventions may sustain momentum, though structural headwinds persist, particularly in export-dependent economies. Global GDP growth is projected to advance close to its long-term average.

Europe's easing cycle appears near completion, while China maintains an accommodative stance. US monetary policy is expected to remain on hold until the Fed Chair transition in May. Corporate earnings, particularly in AI, technology, and financials, should remain resilient, though valuation pressures may intensify if long-duration yields rise. With the S&P 500 forward P/E ratio at 23–24x, sustaining current levels will require continued strength from high-growth technology leaders and a stable 10-year Treasury yield below 4.50%.

U.S. 10 Year Treasury

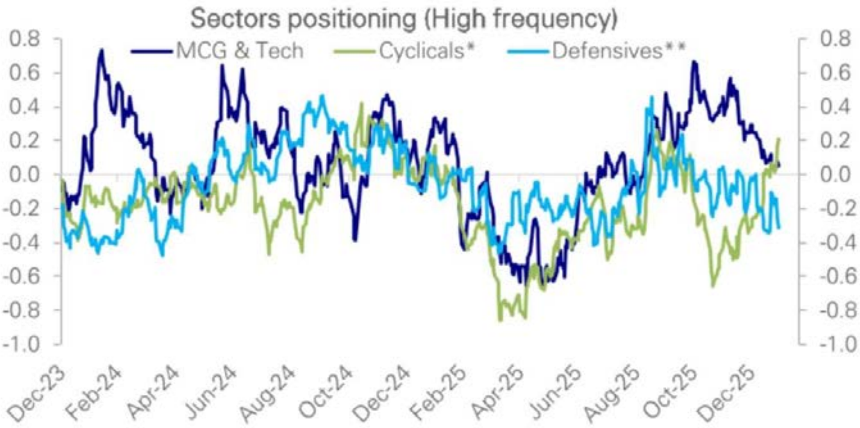
Source: CNBC.com

US bond market remains volatile.

The US bond market remains volatile, shaped by technical and structural factors. GOJI favours selective entry into Treasuries when yields approach 4.50%. Non-US bonds have seen notable yield compression, limiting upside unless recession risks escalate. Duration exposure should be managed carefully given prevailing valuations and shifting rate dynamics.

Investor positioning reflects divergence. Systematic strategies remain overweight, actively trading in and out based on momentum and volatility signals. From near full investment, any adverse shock could prompt substantial selling, as these models adjust rapidly. This dynamic introduces potential downside risk if sentiment weakens unexpectedly.

Sector Positioning



*Z score avgs of Industrial Cyclicals, Consumer Cyclicals, Financials, Energy, Materials
**Z score avgs of Utilities, Real Estate, Healthcare, Telecom, Consumer Staples+Restaurants;

Source: Deutsche Bank Asset Allocation

Discretionary managers have modestly increased their equity exposure once again. This is based on prospects of good earnings growth, expansionary fiscal policy and a neutral monetary policy. These, for now, more than offset lingering concerns of an AI bubble, elevated valuations, and a Fed-on-hold interest rate policy.

Discretionary managers modestly increased equity exposure in Jan.

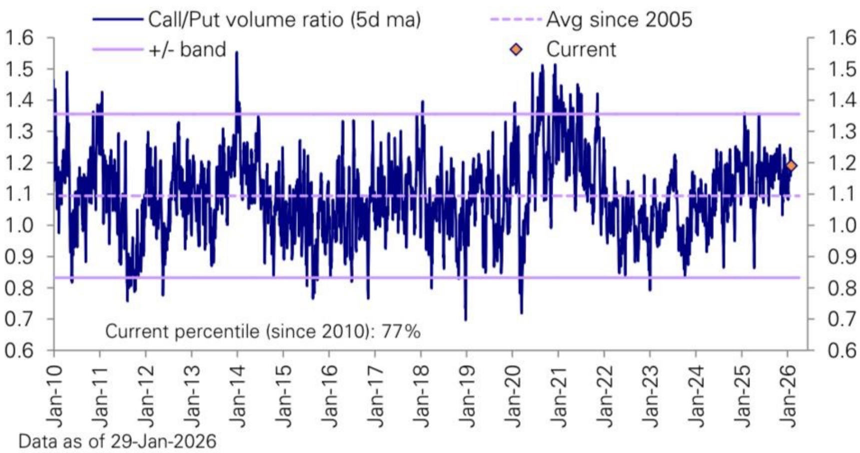
Discretionary vs Systematic Equity Positioning

*Wtd average of Z-scores for positioning indicators, weights based on explanatory power in regression of equity performance on indicators

Source: Deutsche Bank Asset Allocation

Retail sentiment remains firmly bullish, driven by high-profile AI transactions involving NVIDIA, OpenAI, and other infrastructure leaders. Options activity surged in January, particularly in calls, with retail traders and fast-money funds aggressively pursuing upside. The elevated call/put ratio highlights limited hedging, leaving markets vulnerable to abrupt downside should adverse news trigger rapid liquidation.

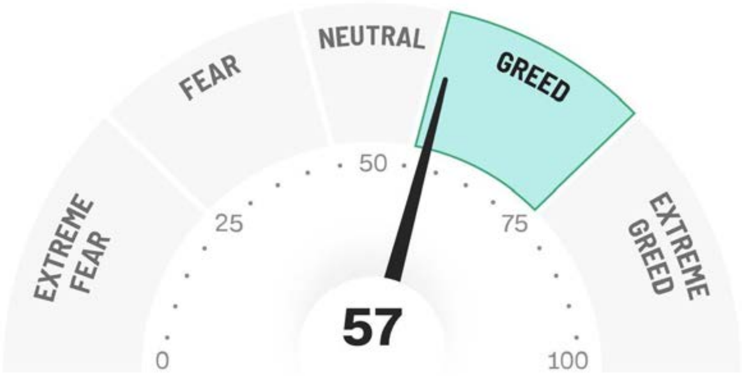
Equity Call / Put Volume Ratio



Source: CBOE, Haver Analytics, Deutsche Bank Asset Allocation

Fear & Greed Index

- What emotion is driving the market now?



Source: CNN Business
Last update January 31 at 8:00:00 PM ET

The CNN Fear & Greed Index has already swung to "Fear" in the first week of February.

Market sentiment swung around neutral.

Short-term Technical Analysis

US equity indices remain comfortably above their 200-day moving averages, though recent sessions have been marked by heightened volatility. This reflects a divide between investors: the bullish camp, confident in AI-driven growth, continued Federal Reserve easing and relative political stability; versus the cautious group, sceptical of the sustainability of the AI boom, wary of policy risks, and mindful of geopolitical uncertainty.

This tension continues to shape short-term market behaviour. Corporate earnings remain resilient and technical indicators supportive, yet the outlook is far from assured. Elevated price momentum and strong retail participation, set against concerns of an AI-fuelled bubble, demand agility and discipline. Sustaining performance in today's complex environment requires vigilant monitoring of valuations, prudent risk management, and readiness to adjust strategies as conditions evolve.

S&P 500 Stock Price Index

Source: MarketWatch.com

It is also worth noting that the Equal Weight S&P 500 Index has recently reached a record high, signalling that market strength is broadening beyond the mega-cap technology leaders.

Worth noting that Equal Weight S&P 500 has reached a record high.

The Way We See It
- Global Markets and Investment Thematics

At GOJI, our investment framework is built on a dual approach—balancing short-term tactical agility with long-term strategic discipline. We distinguish between tactical positioning (3–6 months) and strategic allocation (1–2 years), allowing us to navigate evolving market dynamics with precision.

Long-Term Risk-Neutral Strategy Rationale

LT: Maintain a long-term risk-neutral stance.

GOJI maintains its long-term risk-neutral stance, unchanged from last month. Elevated valuations and sub-par global growth continue to define the investment backdrop, with market behaviour still anchored in best-case assumptions favouring pro-growth, pro-equity, and pro-digital asset policies.

In this context, we reiterate a modest underweight in high-beta growth assets, given stretched valuations and volatility. Conversely, overweight allocations to cash and high-quality, stable assets remain appropriate. This positioning seeks to preserve capital, enhance resilience, and maintain flexibility amid ongoing policy uncertainty. The strategy continues to balance risk and opportunity across global portfolios, reflecting our unchanged long-term view.

Short Term: to retain a moderately bullish tactic in Q1 but remain flexible.

ST: Remain moderately bullish.

GOJI's tactical asset allocation stance for Q1 remains moderately bullish, supported by the Federal Reserve's dovish/neutral bias, prioritising employment over inflation risks through successive rate cuts. This policy backdrop, combined with resilient corporate performance in US growth sectors—particularly artificial intelligence, technology and financials—underpins a constructive near-term outlook.

Nonetheless, America's recent involvement in Venezuela and Greenland introduces potential volatility and new risks for the global economy and financial markets. Assuming geopolitical tensions do not escalate, discretionary investors, currently un, may be encouraged to add modestly to risk assets.

However, optimism is already reflected in equity valuations, leaving limited margin for error. Elevated price levels and concentrated positioning in high-beta exposures heighten vulnerability. GOJI therefore advocates nimble positioning, disciplined risk management, and readiness to pivot strategies as market dynamics evolve.

Special Section: Quick comments on Trump's recent announced Fed Chair Kevin Warsh, the collapse of Gold / Silver prices and the Year of the Fire Horse

1) Kevin Warsh as next Fed Chair ?

First, the question is whether it truly matters who occupies the Chair at the Federal Reserve, given that the role carries only one vote among twelve on interest-rate decisions and liquidity operations.

Second, public commentary suggests that K. Warsh is an inflation hawk, yet reports indicate he was selected by President Trump for his perceived support of lower rates. At the same time, he has been associated with advocating a smaller Fed balance sheet, implying reduced quantitative easing.

In summary, provided the Chair retains only one vote and remains committed to safeguarding the Fed's independence, the individual at the helm may have limited impact.

2) Collapse of Silver / Gold prices

The rally in precious metals over the past two months—spanning gold, silver, palladium, and platinum—was driven to extremes by leveraged retail and hedge fund activity. As silver and gold reached overbought levels, opportunistic profit-taking on 30 January triggered large margin calls, forcing heavily leveraged holders to liquidate at any price. Silver fell by a historic 35% and gold by 15% intraday peak-to-trough.

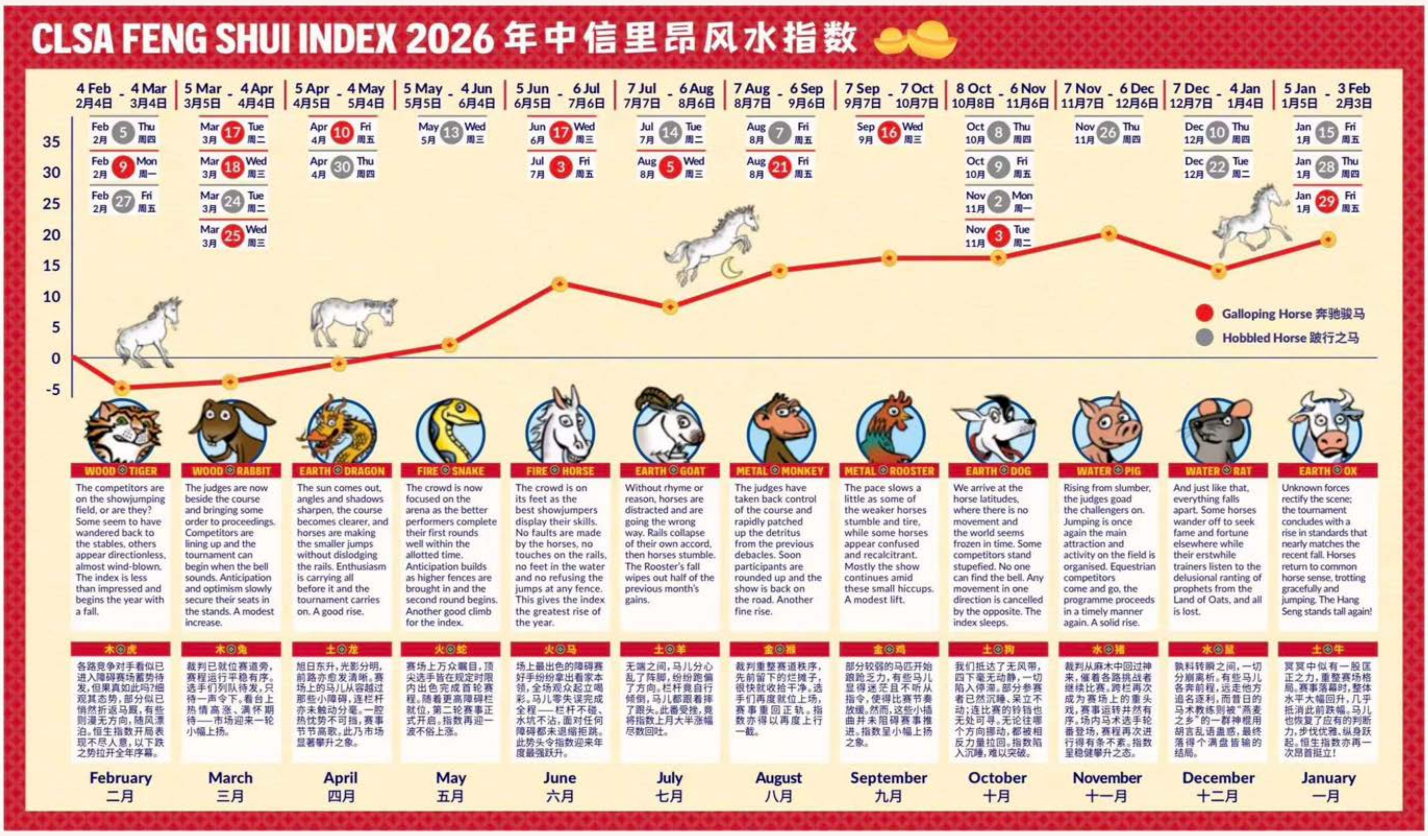
Prices have since recovered, with the strong fundamentals underpinning precious metals—particularly their role in diversification and as a hedge against macroeconomic uncertainty—remaining intact. The episode highlights both the vulnerability of leveraged trading and the resilience of underlying demand.

3) Year of The Fire Horse

Ordinarily, GOJI does not comment on the potential impact of astrological changes on equity markets. However, given the striking symbolism of the Fire Horse, we will indulge briefly.

CLSA's annual Feng Shui forecast for the Hang Seng Index paints a notably positive picture for the lunar year ahead. While intended as a light-hearted exercise, the outlook aligns with improving fundamentals in Hong Kong and key growth sectors within the index—technology, metals, and property.

In that spirit, we extend a cheer to a prosperous Fire Horse Year for the Hang Seng and Chinese equity markets!



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