

The Way We See It

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2026 Outlook – A Tale of the Bull & the Bear

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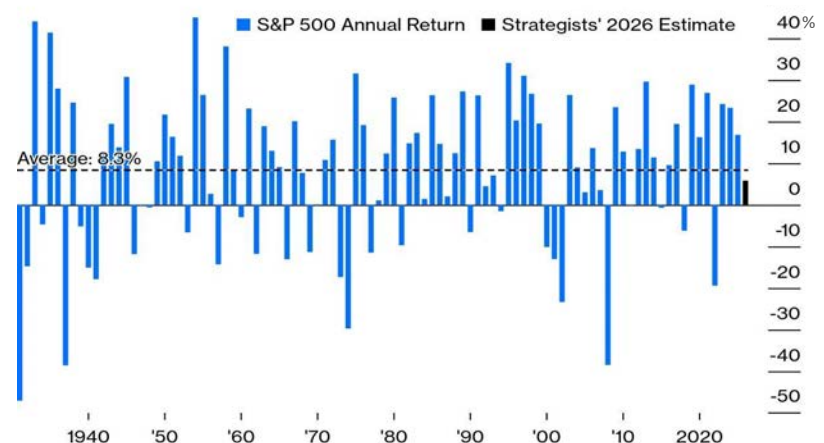
Welcome to GOJI's 2026 Outlook.

We start by reviewing the Consensus view of the coming year, before setting out our own forecast. Although our perspective aligns in part, we believe the Consensus underestimates the challenges ahead.

In our assessment, 2026 will be far from tranquil; volatility will persist and market dynamics will shift sharply between the first and second half of the year. Investors should prepare for contrasting conditions, requiring agility, prudent risk management, and a readiness to seize opportunities as they arise. Success will depend on disciplined positioning and the ability to adapt to rapidly changing circumstances.

Don't Expect the Average

- Stocks tend to move ahead in big surges with occasional crashes



Source: Bloomberg

A. The Consensus View

For many participants in the financial and investment community, the exercise of contemplating and drafting the outlook for the year ahead is invariably approached with optimism. Hope and confidence often dominate both the analysis and the sentiment underpinning such reports. It is therefore unsurprising that the majority of published outlooks adopt a bullish stance, projecting favourable conditions for markets and economies in the coming year.

This optimism persists even in the face of an extraordinary run of performance in recent years. Investors may well be conditioned, in a Pavlovian sense, to expect further strength simply because the preceding three years have delivered exceptional returns. The evidence is striking: the S&P 500, the leading global equity benchmark, delivered gains of +26% in 2023, +25% in 2024, and +18% year to date to 30 November 2025. Taken together, the 3-year compound annualised return from November 2022 to November 2025 stands at +18.9%. This is an outstanding achievement when set against the index's century long average annual return of approximately 10%.

Against this backdrop, the prevailing Consensus for 2026 is once again constructive. The majority of global strategists and asset allocators anticipate another positive year for US and international equities, alongside moderate but respectable returns from fixed income. The Consensus also expects the US dollar to weaken further, while maintaining an upbeat view on emerging market currencies and global commodities.

The Rationale Behind the Consensus

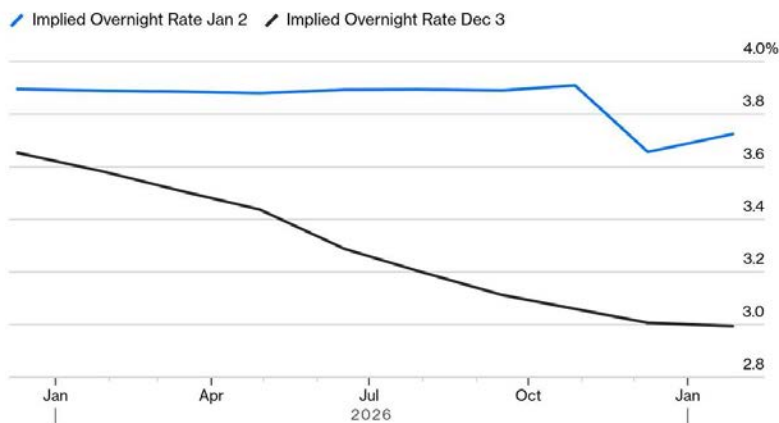
The reasoning underpinning this outlook is multifaceted. Firstly, there is confidence in the continuation of the artificial intelligence boom, both in the United States and globally. This technological revolution is seen as a structural driver of growth, innovation, and corporate profitability. Secondly, expectations of further interest rate cuts by the US Federal Reserve are fuelling optimism, with lower

borrowing costs anticipated to support both consumption and investment. Thirdly, fiscal policy is expected to remain expansionary, with significant government spending programmes across the G10 economies and in major non-OECD countries such as China, India, and other Asian and Latin American nations.

This combination of monetary easing and fiscal stimulus is further reinforced by forecasts of a weaker US dollar and rising commodity prices, including oil. Such conditions are particularly supportive of emerging markets, where currency appreciation and stronger terms of trade could underpin both growth and investment returns.

The Differences a Year Makes

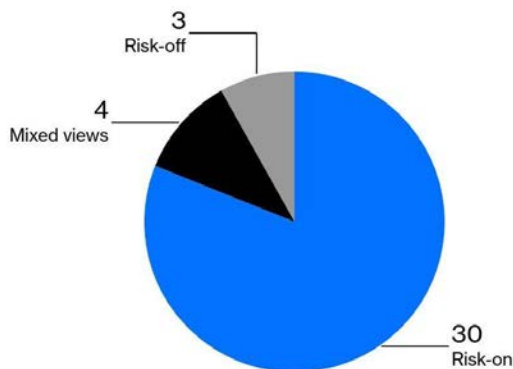
- Expectations for Fed easing in 2026 have grown throughout 2025



Source: Bloomberg World Interest Rate Probabilities

Investors Are Broadly Optimistic About Stocks in 2026

- A big majority of money managers told Bloomberg they remain risk-on

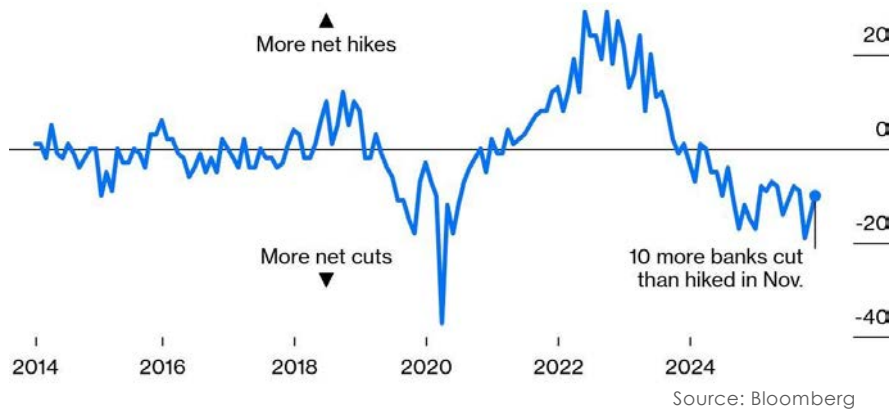


source: bloomberg

Note: Bloomberg interviewed 39 investment managers across the US, Europe, and Asia. Two participants didn't indicate their risk stance going into next year.

Monetary Policy Easing Persists

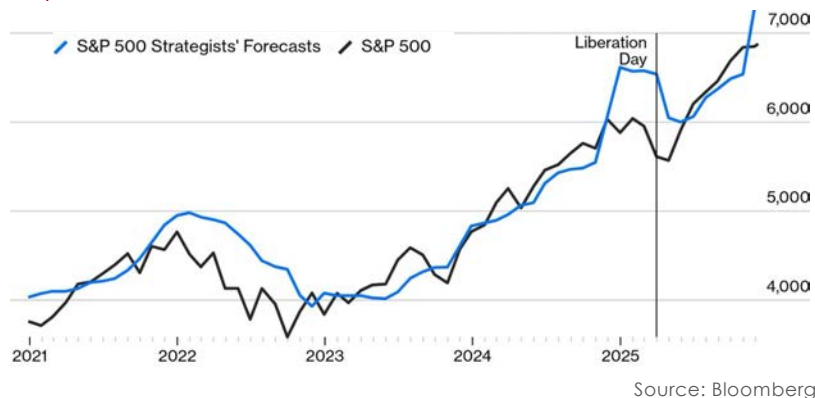
- The balance of rate hikes and cuts from 52 markets across the globe



Note: Individual markets are weighted equally and assigned a value of +1 for an interest rate hike and -1 for a cut. Data as of Nov 26.

Onward and Upward

- Strategists, after their Liberation Day scare, are cautiously optimistic



Surveys of sell side strategists reflect this optimism, with forecasts pointing to total returns of +12–13% for the S&P 500 in 2026. It is, by any measure, a rosy picture.

The Minority Bearish View

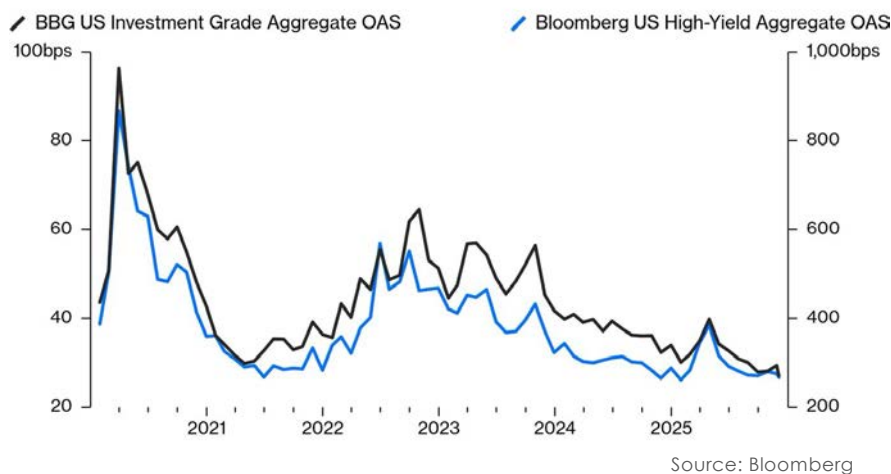
To provide balance, it is important to acknowledge that a minority of investors and forecasters adopt a more cautious stance. Their concerns are threefold.

Firstly, they question the sustainability of revenue and profit projections within the extended AI sector. Valuations are already elevated, and there are fears of speculative excess. Reports of circular funding practices, whereby companies transact with one another at inflated valuations, have raised doubts about the robustness of underlying business models.

Secondly, at the macroeconomic level, sceptics warn that the combination of widespread interest rate cuts in 2025 and expansive government spending programmes could reignite inflationary pressures. Should inflation accelerate, central banks may be forced to reverse course, leading to higher interest rates and tighter financial conditions.

Thirdly, there is unease about the sheer volume of capital that has flowed not only into equity markets but also into less transparent segments such as high yield bonds and private credit. In the event of an unforeseen crisis, liquidity could evaporate rapidly, leaving investors scrambling for exits in markets ill equipped to absorb mass selling. History offers numerous examples of such scenarios, and the risks cannot be dismissed.

Spreads Can't Tighten Much More



The Question of Mean Reversion

The GOJI team has also examined whether there is a statistical likelihood of mean reversion following three consecutive years of exceptional equity returns. Intuitively, one might expect a negative year to follow such a run. However, our analysis suggests otherwise. Historical data indicates that outcomes are closer to a coin toss: positive years tend to occur when favourable factors persist, while negative years are typically triggered by sharp economic downturns or financial crises, particularly when valuations are already pricing in perfection.

Long Term Perspective

Finally, it is worth placing recent performance in historical context. Over the long term, from 1928 to the present day—a span of 97 years—the compound annualised total return of the S&P 500 has been approximately 10.1%. This compares favourably with the annualised returns of 4–5% delivered by other major asset classes such as US Treasuries, US real estate, and gold. The implication is clear: while short term outcomes may fluctuate, equities have consistently provided superior returns over extended horizons.

Next, our house view.

B. GOJI's Outlook for 2026

a. US and Global Macroeconomics Themes

Our analysis of fiscal and monetary policies across the major economies—both within the OECD and the broader emerging universe—suggests that investors should anticipate a stronger US and global economy in 2026. With the notable exception of Japan, monetary policy is expected to remain accommodative, particularly in the United States, Europe, and China. This supportive stance, combined with signs of stabilisation in tariff disputes between the US and its trading partners, and a tentative cooling of military conflicts worldwide, should enable governments to refocus on domestic growth. In this context, we believe the Consensus outlook is overly conservative in forecasting another year of subdued expansion.

In our base case, robust growth is likely to generate renewed inflationary pressures in the latter half of the year. Such dynamics could place upward pressure on long dated bond yields and prompt certain central banks—particularly those with strong anti inflation mandates—to reconsider the extent of monetary easing. Should this occur, equity markets may face headwinds, as higher yields and tighter conditions weigh on valuations.

Commodities, by contrast, appear well positioned for

a stronger year. Rising prices are expected to benefit producers across Latin America, the Middle East, and Africa, with Australia and Canada also likely to gain, albeit to a lesser degree. These regions stand to profit from favourable terms of trade and increased demand for energy and raw materials.

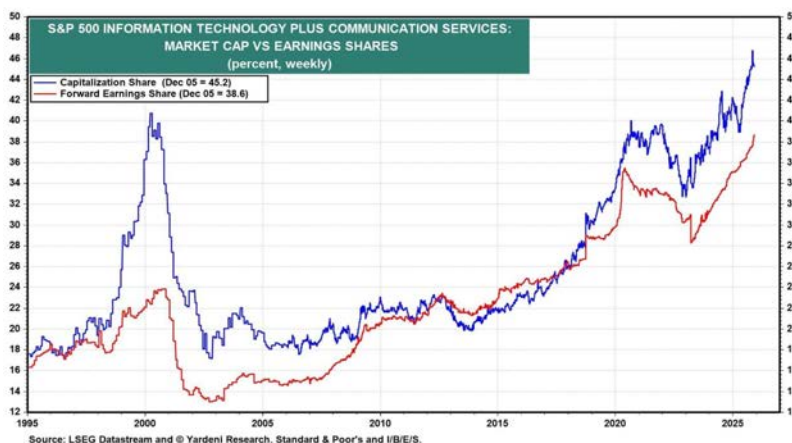
Overall, while the near-term environment remains constructive, investors should prepare for a year characterised by both opportunity and risk. Stronger growth may support earnings and commodity markets, but inflationary pressures and potential policy reversals could temper equity performance. Vigilance and diversification will be essential in navigating this evolving macroeconomic landscape.

b. Financial Market's Outlook

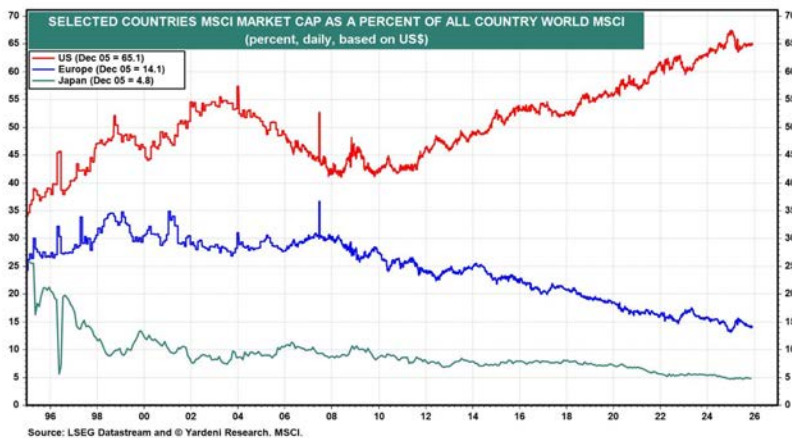
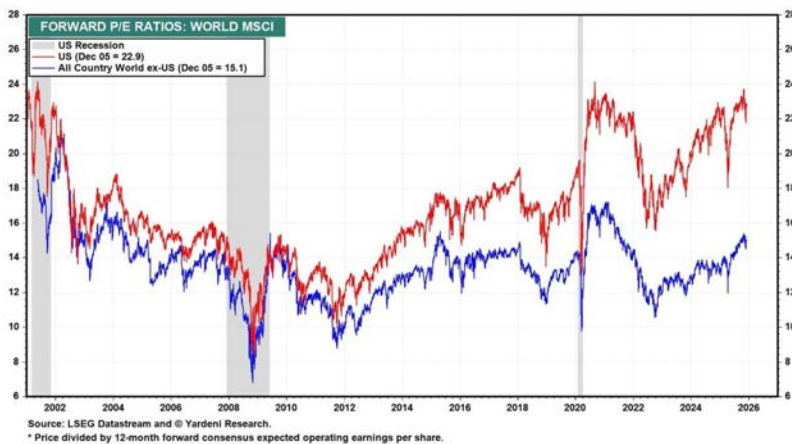
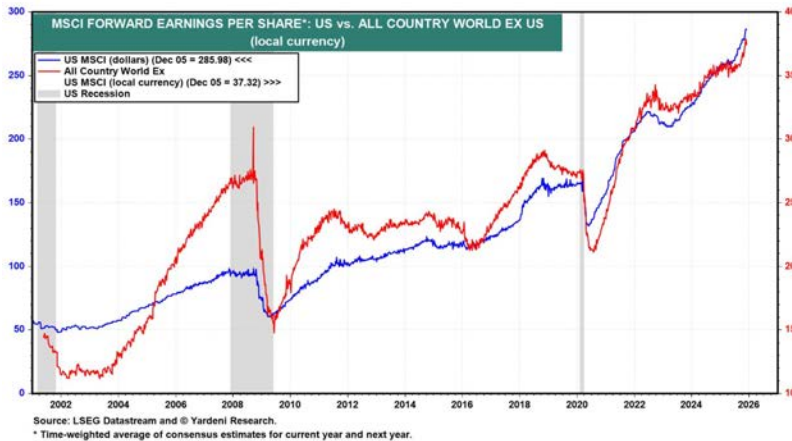
Equities

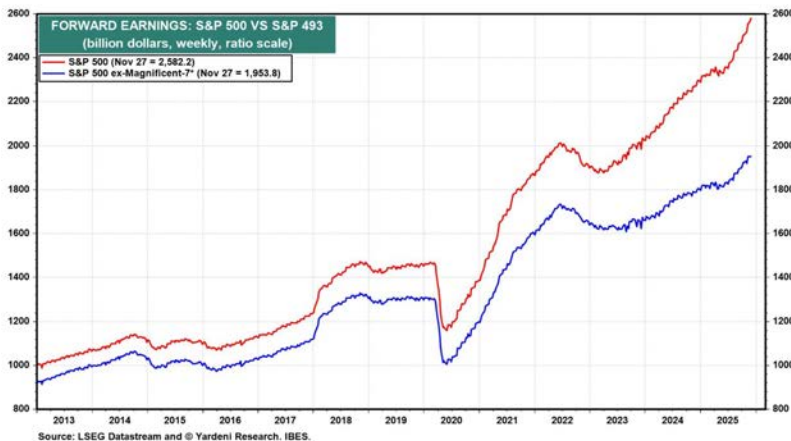
Given the prevailing macroeconomic backdrop and the continuation of the artificial intelligence boom, we expect the positive momentum in equities to extend into the first half of 2026. Anticipated US rate cuts in the first quarter, abundant liquidity across US and global banking systems, tax reductions in the United States, and expansive fiscal programmes in the world's largest economies are likely to underpin stronger growth. These measures should support corporate profitability and provide favourable liquidity conditions for equity markets.

In this environment, cyclical sectors, value stocks, and smaller capitalisation companies are well placed to deliver robust returns. Technology stocks, which now



account for approximately 45% of the S&P 500, are expected to continue rising but may underperform the broader market for the first time since 2023. Investors are also likely to diversify further into non-US equity markets, both to capture opportunities abroad and to hedge against the risks of an overheated US economy and equity market.





The second half of 2026, however, may prove more challenging. Expansionary monetary and fiscal policies are expected to intensify inflationary pressures, particularly in the United States. Stricter immigration and student intake measures are already constraining labour supply, and when combined with cyclical economic strength, inflation risks are heightened. This could drive long dated bond yields higher and potentially force central banks to tighten policy, irrespective of political appointments at the Federal Reserve. Such risks are not currently reflected in equity valuations, leaving markets vulnerable to repricing.

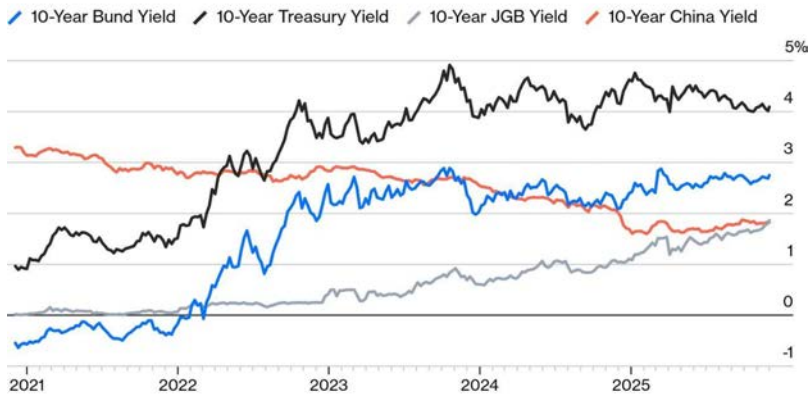
Emerging market equities are expected to perform well under our base case. China, in particular, appears well positioned, with its equity market benefiting from strong exposure to technology sectors, accommodative interest rates, ample liquidity, and a more market friendly policy stance.

Fixed Income

If our US macroeconomic projections prove accurate, long dated bonds are unlikely to match the performance of shorter maturities. Rising inflationary pressures in Japan have already placed strain on long dated Japanese government bonds, which could indirectly weigh on US Treasuries and other global bond markets. In this context, short dated emerging market bonds, denominated in local currencies, may represent the most attractive fixed income opportunity in 2026.

The New World Order

- China's rates were the highest of the major economies. Now they're the lowest



Source: Bloomberg

Currencies

Structural challenges within the US labour market, exacerbated by the broader adoption of AI and restrictive immigration and student policies, suggest that the Federal Reserve will continue to lean towards a dovish stance on interest rates. Consequently, the US dollar is expected to weaken further in 2026. Emerging market currencies, by contrast, are likely to perform well, supported by stronger growth prospects and favourable commodity dynamics.

Emerging FX Re-Emerges

- Success fighting inflation has brought EM currencies to an 18-month high



Source: Bloomberg

c. Concluding Remarks & Recommendations

We anticipate that 2026 will be characterised by a confluence of accommodative monetary and fiscal policies across the United States and other major economies. This supportive backdrop is likely to deliver stronger than expected global growth, accompanied by rising inflationary pressures.

Such conditions are expected to favour cyclical assets, particularly equities and commodities, while long dated bonds may struggle against the headwinds of higher inflation. Historically, periods of robust global growth without major financial dislocation have coincided with a weakening US dollar relative to emerging market currencies, a trend we expect to re emerge.

Our high conviction investment views are therefore as follows. We foresee a continuation of the equity uptrend, particularly in the first half of 2026. Within global equity markets, we favour emerging markets, supported by attractive valuations, liquidity, and improving fundamentals. In terms of style, value, cyclical, and small capitalisation stocks appear well positioned, alongside selective technology names linked to AI hardware and adoption, provided they demonstrate strong balance sheets and sustainable growth trajectories.

The second half of the year could prove more challenging for both equities and bonds should inflation accelerate as we expect. Strategically, this would favour defensive allocations: accumulating 10-year US Treasuries at yields between 4.5–5% per annum offers a sensible long-term anchor, while low beta equity sectors such as consumer staples and healthcare provide resilience.

Ultimately, 2026 may mark a renaissance for the long overlooked emerging markets asset class, offering investors both diversification and potential outperformance.

We continue to value and welcome our clients' feedback.

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