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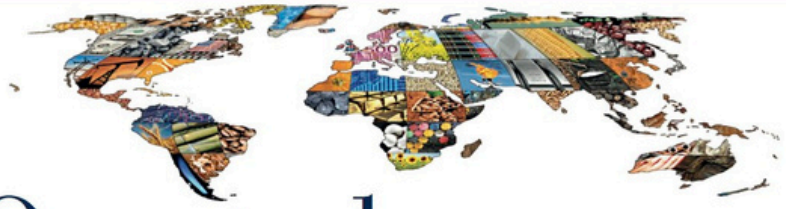


# Quarterly market review

JANUARY2026

## *Editorial*

**Trump's Year**

2025 will undoubtedly go down in history as the year of the MAGA (Make America Great Again) explosion. Since his return to the White House a little less than a year ago, Donald Trump has imposed a frenetic pace on the financial markets, redefining the rules of the global economic game through a transactional approach that is both new and unpredictable.

1. Protectionism as a Negotiating Tool

The leader of the Republican camp returned with a radical doctrine: the imposition of universal tariffs, between 10% and 20%, after having threatened most of his trading partners with much higher figures. The abruptness of this announcement on April 2nd sent shockwaves through the stock markets, as traders feared a halt to global trade and dreaded the prospect of a recession. The S&P 500 index thus recorded a decline of nearly 15% in three days following the Liberation Day address.

Fortunately, the strength of the US economy, reflected in last spring's macroeconomic data, coupled with generally positive results from US companies and a growing understanding among market participants of how the Trump machine operated (imposing a heavy-handed approach, demanding 145% reciprocal tariffs, only to settle for 30% a few weeks later), allowed equity markets to recover quickly and strongly.

As a result, as of June 30, the S&P 500 was up 5.50% year-to-date, compared to a 15% decline on April 8.

Liberation Day also sent shockwaves through the real economy, triggering major strategic reorganizations for many companies, faced with the urgent need to maintain their competitiveness and avoid these additional costs.

Production chains had to adapt. Many European companies, particularly in the automotive and machine tool sectors, accelerated their investments in Mexico to serve the American market. By producing in Mexico, they benefit from the USMCA (formerly NAFTA) free trade agreement and thus circumvent the punitive tariffs imposed by the White House.

Another example of adaptation: European manufacturing companies already established in the United States, such as German automakers with their factories in South Carolina, were forced to drastically increase the proportion of American-made parts and components in order for their finished products to be considered "Made in USA" and thus avoid tariffs.

Global logistics flows were also redesigned. Mexican and Southeast Asian ports have thus seen increased activity at the expense of traditional routes directly linking China to the United States. Finally, in response to the unpredictability of the American president, many companies have built up massive buffer stocks of raw materials and semi-finished products, increasing storage costs but ensuring continuity of supply in the event of another sudden tariff escalation.

2. Deregulation and tax cuts

For the American stock markets, the election of Donald Trump acted as a stimulant. By promising a reduction in the corporate tax rate to 15% and a drastic simplification of environmental and financial standards, the president helped propel the S&P 500, already quite highly valued at the beginning of 2025, to historic highs, with these measures particularly benefiting the industrial, energy, and technology sectors.

Reuters : https://www.flickr.com/photos/whitehouse/46451130962

3. Cryptocurrencies: From Pariah to Reserve of Assets

2025 marked the institutionalization of Bitcoin under the impetus of Washington. By demonstrating a desire to make the United States the "global capital of crypto assets," the Trump administration fostered regulatory clarity that attracted massive amounts of institutional capital, driving digital assets to record valuations.

| | Q4 2025 | YTD 2025 | Close 31/12/25 |
|---|---|---|---|
| DOW JONES | 3.59% | 12.97% | 49 266.11 |
| S&P 500 | 2.35% | 16.39% | 6 921.46 |
| FTSE | 5.19% | 21.51% | 10 118.71 |
| EUROST .50 | 4.73% | 18.29% | 5 965.31 |
| CAC 40 | 3.21% | 10.42% | 8 319.60 |
| FTSE MIB | 5.19% | 31.47% | 45 706.71 |
| MSCI EM | 10.08% | 30.06% | 1 452.70 |
| CRUDE OIL | -7.94% | -19.94% | 58.17 |
| GOLD | 31.62% | 64.58% | 4 488.30 |
| EUR/USD | | | 1.1650 |
| EUR/CHF | | | 0.9314 |
| EUR/GBP | | | 0.8667 |
| EURIBOR 1M | | | 1.960% |

4. Pressure on the Federal Reserve

2025 will be remembered as the year of an unprecedented showdown between the White House and the Fed. By openly criticizing the institution's independence to obtain faster rate cuts, Donald Trump introduced new volatility into the markets, tossing traders between sometimes contradictory fears. Investors thus had to navigate between the observation of growth fueled by fiscal stimulus, inflationary fears linked to the implementation of tariffs, fears of a sharp potential slowdown linked to these same tariffs, and the risk of a runaway US public debt.

5. Transactional Diplomacy That Weakens Europe

Trump withdrew from major multilateral agreements (such as the Paris Climate Agreement) and imposed a bilateral "deal" diplomacy. However, the EU is a multilateral power by nature: it carries weight in international institutions, it usually negotiates as a bloc, and it operates under common rules. When Washington bypasses these institutions, Europe loses its main lever of influence. Transactional diplomacy pushes each country to negotiate alone with the United States. This weakens European unity because some states seek advantageous bilateral agreements while others want to resist Washington. In short, positions become fragmented, and the EU appears less coherent and less capable of responding collectively to American initiatives. Furthermore, Trump has reassessed the American commitment to NATO and made American protection conditional on financial or political concessions. Europeans must therefore urgently increase their military budgets, strategic uncertainty increases, and Russia is (for the moment) taking advantage of the situation.

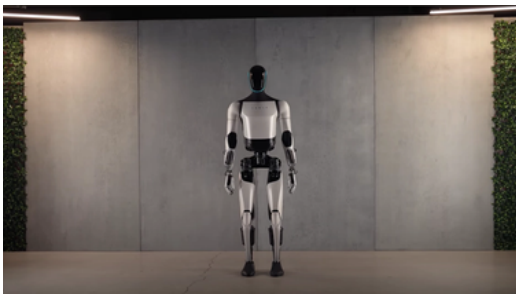
More broadly, 2025 marked a turning point in the world order, where Europe appears to have lost influence. It's a world order where the United States, China, and Russia impose their agendas, a world order where international rules are replaced by power dynamics, leaving Europe somewhat adrift, no longer having a 100% reliable American partner, and a Europe somewhat marginalized in a world where power trumps norms.

Despite this undeniable loss of influence, it must be noted that European stock markets nevertheless performed well in 2025, with the Eurostoxx 50 index rising by 18.29%, driven by ECB interest rate cuts and generally strong earnings reports. This is ultimately slightly better than the 17% gain recorded by the American S&P 500 index (although this marks the third consecutive year of gains exceeding 10%).

This rise in US markets is obviously not 100% attributable to Donald Trump, even if the prospect of tax cuts, deregulation, and lower interest rates plays a significant role. The other major event of the past year, for the United States as well as for the entire world, has been the very strong performance of the technology sector, driven by the massive integration of generative artificial intelligence into enterprise software and cloud services. The Nasdaq 100 is even projected to rise by more than 20% by 2025. If 2023 and 2024 were the years of discovery, 2025 was the year of tangible revenue. Software giants like Microsoft, Salesforce, and Adobe have successfully integrated autonomous AI agents into their offerings. These tools no longer simply answer questions, but perform complex tasks (accounting, coding, customer service) from end to end, justifying subscription price increases accepted by businesses. Meanwhile, the demand for computing power has not diminished, and hyperscalers (Amazon AWS, Google Cloud, Microsoft Azure) have invested over $250 billion by 2025 in data centers for training larger models (such as Gemini 3 or GPT-5). 2025 was also a year of hardware renewal.

The integration of high-performance NPUs (Neural Processing Units) into smartphones and PCs has led to a massive replacement cycle. Apple, with Apple Intelligence, saw its iPhone sales increase as consumers sought more private and faster local AI capabilities, without relying on the cloud. Finally, AI transcended the confines of screens last year: Major AI-assisted drug discoveries boosted the biotechnology sector, while the first industrial deployments of humanoid robots (Tesla Optimus, Figure) in US factories began transforming logistics, attracting significant capital flows to small-cap companies in the sector.

In short, by 2025, AI had transitioned from a gadget to a structural driver of the global economy. But a question naturally arises at this point, allowing us to segue into the potential risks of 2026. This is the question of valuation. Is there an AI bubble?



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The sector is currently characterized by a paradox between massive spending and real but concentrated profits. Hyperscalers' capital expenditures (CAPEX) on AI infrastructure are projected to reach $527 billion by 2026. This is colossal, and the sector's total market capitalization relative to US GDP has surpassed the levels of the 2000 dot-com bubble, signaling potential overheating. Expert opinion on the bubble issue is divided, but a trend is emerging: we are in a cycle of massive investment that exhibits bubble characteristics without yet possessing the systemic explosive nature of a bubble.

Circular finance, however, lends credence to the "pro-bubble" argument. Indeed, there is a risky interdependence where tech giants invest in each other (e.g., Nvidia investing in OpenAI, which buys chips from Nvidia via Oracle servers). Furthermore, some companies are valued on virtual revenue rather than on profitable business models. OpenAI, for example, could see cumulative losses of $44 billion by 2028. Extreme concentration (Nvidia derives 85% of its revenue from just six clients) also makes the sector vulnerable to even the slightest slowdown in orders.

That being said, it's worth noting that, unlike the dot-com bubble of 2000, current leaders (Microsoft, Nvidia, etc.) are generating massive cash flow and real profit growth. Furthermore, in 2026, demand for computing power and data centers will still exceed supply. This is good for the sector. Finally, AI is no longer a vague concept; it already generates over $1 billion in recurring annual revenue for at least 10 major products. 2026 will therefore likely be the year of differentiation. The market is beginning to penalize companies that spend recklessly (the "hype") and favor those that demonstrate real productivity gains.

At this stage, a selective correction of the most speculative stocks is certainly more likely than a total collapse of the sector.

Other risk factors that could disrupt the optimism of market participants (an optimism that is legitimate given the likely support from central banks in 2026 and the strength of corporate balance sheets) include: Geopolitical risk, more present than ever at the start of this year, with major Chinese military maneuvers around Taiwan, riots in Iran, the situation in Gaza, the quagmire of the conflict in Ukraine, and Putin clearly doing everything he can to withdraw from the peace process ardently desired by Donald Trump, and who might be tempted in the coming months to test NATO and its Article 5 in other countries (the Baltic states? Moldova?).

The United States, for its part, is active on all fronts these days, having just approved its largest arms package for Taiwan ($11.1 billion), increasing pressure on the Greenland issue… And the surprise of the beginning of the year was the arrest of the Venezuelan president and the search for a regime more favorable to American interests.

The political risk: In the United States, what will be the popularity of the MAGA faction as the midterm elections approach? Could the Epstein affair negatively impact the presidential camp? In Europe, the Franco-German partnership will need to be monitored. Chancellor Merz is facing the rise of the AfD, which is complicating discussions within the coalition, while Paris remains mired in governmental instability that prevents any reform, with a potential debt crisis on the horizon, as France is expected to borrow €310 billion in 2026. A record.

These are all risks that we will meticulously monitor in 2026, remaining ever mindful of the resilience of our portfolios in the face of shocks. Diversification will remain essential, and we have recently introduced new uncorrelated instruments capable of performing well in more turbulent times.

*The entire 2PM team sends you its best wishes for the new year, which promises to be just as exciting and eventful as 2025 !*

*Christophe Carrafang*

# Macro-economy

**Price Index: A welcome drop in inflation.**

- Unexpectedly, the inflation rate in the US fell at the end of the year to +2.7%, compared to +3.1% previously. More remarkably, the core index is at its lowest level since 2021, at +2.6%. This provides ample justification for the interest rate cuts at the end of 2025 and those to come.
- In the Euro Zone, inflation has been very stable for several months; +2% in December. With short-term rates at 2%, the price index would need to fall further to allow for lower policy rates in the coming months.
- China appears to be emerging from deflation with inflation rates of +0.2% in October and +0.7% in November. If this trend continues, it would be excellent news for the Asian economy as a whole.

**Job Market: No Further Deterioration.**

- In the US, the release of job creation figures is still hampered by the end-of-year government shutdown. However, the job market is showing signs of slowing. Job creation in the private sector remains positive, but only slightly.
- The unemployment rate in the Euro Zone remains very low at +6.4%, according to the latest figures from the end of September.

**Manufacturing Activity: Months remain at level Status Quo.**

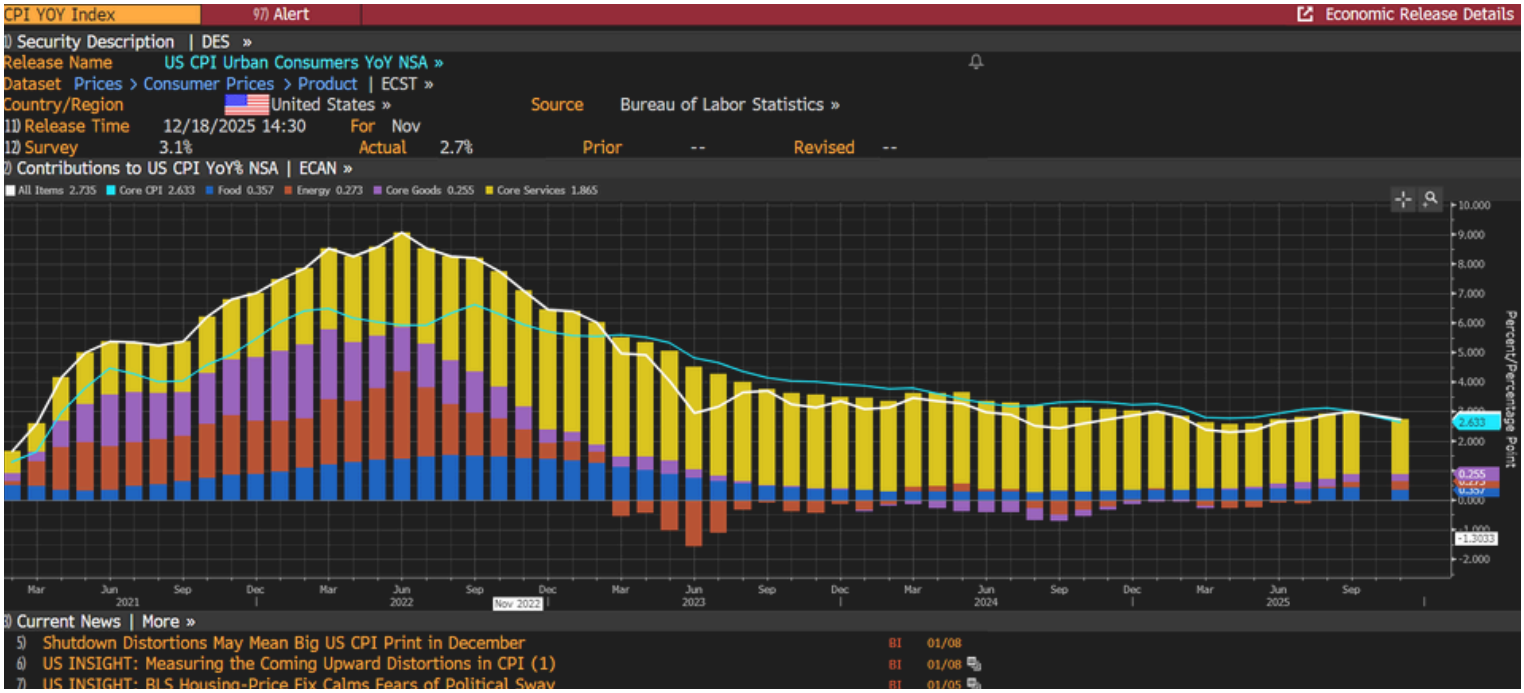
- In the Euro Zone, the index has been declining again since October, falling to 48.8. Only France turned a positive indicator in December.
- In China, the indicators show no clear trend, remaining close to equilibrium.
- In the United States, we have seen no improvement in manufacturing activity in recent months; the indicator fell from 49.1 in September to 47.9 in December.

**Services sector activity: Rather robust.**

- In Asia, the ISM services index is still at growth levels, but the trend is weakening; 51.6 in Japan, 52 in China, and 58 in India.
- In the Euro Zone, the last quarter was rather good, with indicators between 52 and 53.
- The situation in the US is improving, with the last indicator of the year at 54.4, the best reading for 2025, driven by a high level of future orders and a rebound in employment.

*Damien Liegeois*

## Trends in the Components Driving Inflation in the United States



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## The Big Picture

***Commodity Price Rise: Stop or Continue?***

*The year 2025 confirmed the strong resurgence of commodities, with positive performance in strategic metals, driven by macroeconomic, geopolitical, and structural factors. This momentum raises a key question for 2026: can the rise continue?*

- *Gold saw a significant increase in 2025, rising by 64.6%, supported by robust demand – several central banks (China, Russia, India, Brazil) continued their purchases – and by a macroeconomic environment still marked by uncertainty.*
- *Silver experienced an explosive performance, rising by 147.9%, benefiting from both its industrial role (photovoltaics, electronics) and speculative purchases by institutional investors.*
- *Copper continued its upward trend, rising by 41.7%, driven by demand related to the energy transition (electric vehicles, wind, solar) and the development of AI infrastructure (data centers).*
- *The 2025 outlook for uranium shows a moderate increase in the price of the raw material, rising by 11.9%. The most significant increase came from stocks linked to the sector, boosted by increased support from the US government and its commitment to securing supplies.*

*The continued rise in commodity prices, particularly gold, silver, copper, and uranium, remains supported by several structural factors. The diversification of central bank reserves, fueling a de-dollarization movement, creates a sustainable base for gold. Persistent geopolitical tensions are also strengthening risk premiums on strategic metals and boosting their appeal as a safe haven. Added to this are the energy transition, which is maintaining robust demand for copper and uranium, and a persistently inflated environment that continues to position commodities as hedging instruments in asset allocations.*

*Conversely, several factors could lead to a pause, or even a correction. A marked slowdown in global growth, particularly in China or the United States, would put direct pressure on industrial demand. The continuation of restrictive monetary policies could also reduce the attractiveness of precious metals, including gold and silver. Finally, the gradual rebuilding of mining supply and a relaxation of geopolitical tensions would reduce current pressures on prices and contribute to a normalization of prices.*

*Structural drivers remain strong: energy transition, central bank asset purchases, geopolitical tensions, etc. The upward trend could therefore continue into 2026, but with greater volatility given the strong performance seen in 2025 and a rapidly evolving geopolitical context. We are maintaining a strategic focus on this theme in our asset allocation.*

*Damien Beasse*

## Special Topic

***Macroeconomics: 2025 Review and 2026 Projections***

As is often the case, the 2025 predictions held their share of surprises. Starting with Euro Zone growth, which strategists had overestimated; they had notably bet on a rebound in the German economy, which was still in recession in 2024 (-0.5%). The rebound was much weaker than anticipated at +0.2%, with manufacturing activity remaining depressed.

Conversely, US growth was expected to suffer from tariffs, excessively high interest rates, and persistent inflation. However, even though there will likely be a negative impact from a prolonged government shutdown (impacting fourth-quarter growth by -0.2% to 0.3%), GDP growth in 2025 is projected to be +2% to 2.25%, with a particularly strong third quarter at +4.3%. We are certainly not at the level of the country's potential growth, but even if fears were real, they have not materialized.

For 2026, forecasters are quite divided, with estimates for US GDP growth ranging from +1.7% to +2.4%. However, with inflation under control below +3%, a weak dollar, tax cuts, and the Federal Reserve continuing its rate cuts, the most optimistic may well be right once again.

For this year, the Euro Zone is less divisive among strategists, with continued stable but sluggish growth around the level seen in 2025, namely a maximum of +1.2% GDP growth, and inflation slightly below the ECB's target of +1.8%.

Once again, there is no overconfidence in Europe, where bureaucratic red tape at all levels (local, national, and European) is hindering economic activity, despite a very favorable interest rate/inflation environment.

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As in 2025, the Chinese government's growth target of +5% is unlikely to be met, according to strategists. Growth in 2026, according to the IMF, is projected to be only +4.2%.

However, the good news is the country's likely exit from deflation, with the price index rising by 0.7% in the last two months of the year. Should this trend continue, it would provide a strong argument for a positive surprise compared to consensus forecasts.

In conclusion, from a strictly macroeconomic perspective, the global economy at the beginning of 2026 is experiencing a very interesting convergence with favorable monetary and fiscal policies. Central bankers, reassured by inflation, will continue to cut interest rates, and governments as a whole have plans for expansionary fiscal policies with investment programs in infrastructure and the defense sector.

A dream scenario, provided that inflation does not pick up too quickly and that geopolitical events, like those of 2025, do not disrupt this balance.

*Damien Liegeois*

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