

MARKETS UNWRAPPED

Positioning for what's next

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A fast start to 2026

This edition of Markets Unwrapped looks ahead to 2026 and examines the themes expected to shape markets and portfolios over the coming year.

The year has already begun at pace, with geopolitical tensions, policy uncertainty and sharp market movements setting the tone for what is likely to be another eventful period. Developments such as tensions involving Venezuela, attempts by the US administration to assert influence over Greenland, and speculation around changes at the Federal Reserve have all contributed to early volatility. Markets have reacted quickly, including a sharp rise and sudden pullback in gold and silver prices, echoing the pattern seen last year.

Broadening: returns expanding beyond the US

One of the most important themes for the year is the broadening of equity market performance. For several years, a small group of large US technology companies has dominated global returns. While innovation and growth remain strong in these firms, valuations have become elevated, and investors are increasingly aware of the risks associated with such concentration.

As a result, capital is flowing more widely across global markets. Europe, the UK and emerging economies are beginning to contribute more meaningfully to returns, supported by more attractive valuations, improving fundamentals and a desire to diversify away from narrow US leadership. This does not signal the end of US strength - particularly with artificial intelligence expected to remain a powerful long-term driver of growth - but it does point to a more balanced global opportunity set in the near term.

The approach to 2026 therefore emphasises balance and risk awareness rather than chasing yield

The Macro Backdrop: growth, inflation and interest rates

The macroeconomic environment remains central to the outlook. Global growth appears moderate but stable, offering a supportive backdrop for equities. Inflation, however, remains the biggest uncertainty. While progress has been made, any resurgence would challenge the current base case and could disrupt markets. Interest rates are expected to fall further in the US and the UK this year, while the European Central Bank appears more likely to hold steady, with inflation closer to its target. These shifts in policy are already influencing market behaviour and are a key driver of the steepening theme.

Steepening: shifting incentives for investors

With interest rates expected to decline, the yield curve is steepening, encouraging investors to look beyond cash and consider longer-term opportunities. The yield curve simply describes the relationship between short-term and long-term interest rates, and how those rates change over different time periods.

As short-term rates fall, the incentive to remain in cash diminishes, prompting a reassessment of where capital can work harder. Equities and selected areas of fixed income stand to benefit from this environment, although uncertainty around geopolitics and global growth means that extending duration too aggressively carries risk. The approach for 2026 therefore emphasises balance and risk awareness rather than chasing yield.

Diversifying the diversifiers

A major focus this year is strengthening the defensive side of portfolios. Traditional diversifiers, such as government bonds, may not provide the same level of protection in every scenario, particularly in an environment where inflation remains unpredictable and interest rates are shifting. To build resilience, portfolios are incorporating a broader mix of alternative assets. This approach helps reduce reliance on any single defensive tool, manage volatility more effectively and provide greater stability during periods of market stress. Alternatives, alongside fixed income, play a crucial role in smoothing returns and supporting long-term resilience.

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Weakening: The US dollar under pressure

Another significant theme is the weakening US dollar, which has fallen more than 10% since late 2025. A combination of geopolitical uncertainty, shifts in US policy and expectations of interest rate cuts has reduced demand for the dollar as a safe-haven asset. Investors are increasingly holding cash and government bonds in other currencies, including sterling and yen, which has contributed to the dollar's decline. A weaker dollar has wide-ranging implications for global investors. When converting returns back into sterling, currency movements can significantly alter performance, and the relative attractiveness of non-US markets increases - particularly in emerging economies, where valuations and growth prospects are compelling. This theme reinforces the case for broader global exposure and aligns closely with the broadening trend already underway.

Focusing on fundamentals

Despite the noise, fundamentals remain the anchor. Company earnings, valuations and long-term business performance continue to matter far more than short-term headlines. With so much uncertainty, focusing on what drives returns over the long run is essential. The priority for portfolios in 2026 is resilience: maintaining a balanced blend of equities, fixed income and alternatives that can navigate uncertainty while still capturing opportunities for growth. The aim is to build portfolios that can weather whatever the year brings, supported by a disciplined focus on growth, inflation and interest rates, and by making adjustments as conditions evolve.

Looking ahead

The next edition of Market Unwrapped will explore Progeny Asset Management's asset allocation in detail, including how portfolios are positioned across regions, asset classes and themes for the year ahead.

[Click here to watch the video](#)

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