JANUARY 2026

WORLD VIEW 2026

Strategic Investing in the Age of Global Rebalancing

Contents

Introduction

Over the past year, the pace of change across markets, economies, and geopolitics has accelerated sharply, reshaping long-term structural forces. The IMCO World View was conceived out of a growing recognition that the global economy, after decades of relative stability, was entering a new more volatile regime – one characterized by reversals of previously-entrenched trends. To help navigate this shift, the World View distils an array of macroeconomic, market, political and geopolitical developments into six primary **Themes** and six corresponding **Implications** most likely to shape long-term returns. In a moment defined by rapid disruption, this framework offers a timely lens for interpreting change and guiding investment decision-making.

This year's Update features a **deep dive** into the Trump administration's efforts to *rebalance* the global economy, which in our view is the biggest source of change since the 2025 Update. While Washington's current isolationist and interventionist stance marks a new direction in a broader prolonged pushback against globalization – which has seen trade and financial flows become increasingly "imbalanced" – the Trump administration stands out for the speed and aggressiveness of its actions. **These policies are reshaping not only global trade in *goods and services*, through tariffs and other measures, but also *capital and financial flows*, with far-reaching implications for investors**.

The deep dive highlights how these actions have **accelerated** the World View's **Deglobalization** and **Policy Inflection** themes – the two themes most directly impacted by Trump's efforts to reshape cross-border flows. The deep dive also considers how the U.S. administration's unilateral, at times unorthodox, actions look supportive for the **End of Low for Long** trend in inflation, rates and yields. The fact that the U.S. is at the epicentre of these changes adds scope for **Heightened Volatility and Greater Dispersion** in economic and market outcomes. Actions that can be taken in response to these shifting macro tides are also reviewed.

Beyond the deep dive, the Update applies the monitoring framework introduced in the *2025 World View Update* to the remaining Themes and Implications. For each, we outline "**How We Have Been Monitoring**" them and review key developments since the last Update, arriving at an assessment of their momentum: **ACCELERATING**, **STEADY**, or **DECELERATING** (see Tables 1 & 2). As in last year's Update, we include a "**What We Are Watching**" list for each *Theme*, highlighting the key trends, and events most likely to influence its trajectory in the year ahead. For each *Implication*, we also outline "**Potential Actions Investors Can Take**" to support practical investment decision making in this rapidly evolving environment.

While our yearly Updates focus on recent developments and short-term momentum, the World View is designed for long-term strategic guidance. Examining near-term shifts can help assess whether broader trajectories remain intact or require recalibration before deeper misalignments take hold. The Trump administration's agenda, for example, sharply accelerates Deglobalization's long-term trend, while Climate Change and Sustainability face near-term policy headwinds but remains structurally relevant. Our 2026 Update reaffirms the continued applicability of the original *Themes* and *Implications*. Despite short-term fluctuations, they remain persistent, directionally sound, and foundational to long-term portfolio strategy.

THEMES

MOMENTUM ASSESSMENTS

Addressing Inequality	Deglobalization	Policy Inflection	Climate Change and Sustainability	Disruptive Technologies	Evolving Market Structure
STEADY	ACCELERATING	ACCELERATING	DECELERATING	STEADY	STEADY

IMPLICATIONS

MOMENTUM ASSESSMENTS

End of Low for Long	Heightened Volatility and Greater Dispersion	Capital Investment Boom	Growing Role for/ Complexity of Private Investments	Growing Scope for Unintended Exposures	The Need for Innovation and Flexibility
ACCELERATING	ACCELERATING	STEADY	STEADY	ACCELERATING	ACCELERATING

● Covered in **deep-dive** essay

Deglobalization by Design: Policy Targets Global Imbalances

The geopolitical and economic changes seen over the past year are not entirely surprising. As noted in our original World View, the global economy was ripe for a turning point, inviting policymakers to step in and steer their economies in new directions. More surprising is the *speed* at which the changes have progressed, driven largely by President Trump's re-election. **Before delving into his administration's efforts to reshape global trade and investment, it is useful to consider the historical context in which they are occurring.**

Despite what today's noisy 24-hour news cycles might suggest, **the global economy moves in long, sweeping 'supercycles'** – decades-long waves shaped by the convergence of various forces: the reliance on orthodox or unorthodox policy, the social appetite for liberalism or populism, and the integration or fragmentation of global trade and finance. These forces combine to define the macro "regime" of the day, reinforcing one another in ways that, given enough time, push the system to extremes. At a certain point, reversal becomes inevitable. Like a pendulum stretched too far, the system hits its limit and swings back.

These cycles are far from being abstract ideological trends and instead leave tangible marks on the global economy. In the U.S., the pendulum's arc has coincided with deepening trade and capital imbalances, reflecting a long-standing tilt toward consumption at home and openness to cross-border financial activities globally. As American policymakers, consumers and businesses embraced globalization, imports surged while domestic production declined, leading to persistent structural trade deficits. The financial side of the economy also bears the imprint of this asymmetry. As foreign capital was welcomed into the U.S., it fueled asset inflation, widened wealth gaps, and tied the U.S. economy to investor sentiment and liquidity cycles. These imbalances are not anomalies – they reflect a system prioritizing trade openness and capital mobility over self-sufficiency, employment, inequality, climate and security.

However, the U.S. economy does not exist in a vacuum. Countries like China have contributed to these imbalances by pursuing their own priorities via industrial policy, capital controls, and currency management. **China's rise as an economic, military and geopolitical rival to the U.S. makes the potential shift to a new supercycle especially potent. It also helps explain why American policymakers have become increasingly urgent and "unorthodox" in their efforts to reshape the global economy**, with interventionist tools like capital controls and a sovereign wealth fund now under consideration.

These developments fit with the emergence of a new supercycle, consistent with trends identified in earlier World View reports. While the general direction is clear – from orthodoxy to unorthodoxy, liberalism to populism, and globalization to deglobalization – the impact on global trade and financial flows is less so. Some of the possibilities and their implications for investors are explored below.

FROM COOPERATION TO CONFRONTATION: THE RISE OF ECONOMIC NATIONALISM

Theme: Deglobalization

ACCELERATING

Much of the deglobalization discussion, including in our original World View, centres on countries' efforts to "reshore" economic activity. Populist pressures and dissatisfaction with the neoliberal status quo, which emphasized the free flow of goods and capital globally, have prompted policymakers to grow demand and production at home while keeping foreign supply at bay. These efforts not only aim to create jobs, but also to address supply chain vulnerabilities exposed during COVID and Russia's invasion of Ukraine.

Though in the headlines recently, this pushback against globalization has been building for years, gaining momentum since the Global Financial Crisis (GFC). Sticking up for domestic workers and securing supply chains did not just suddenly become "important" or politically-popular, but rather reflect social and political responses to economic and geopolitical forces that had swung too far in one direction.

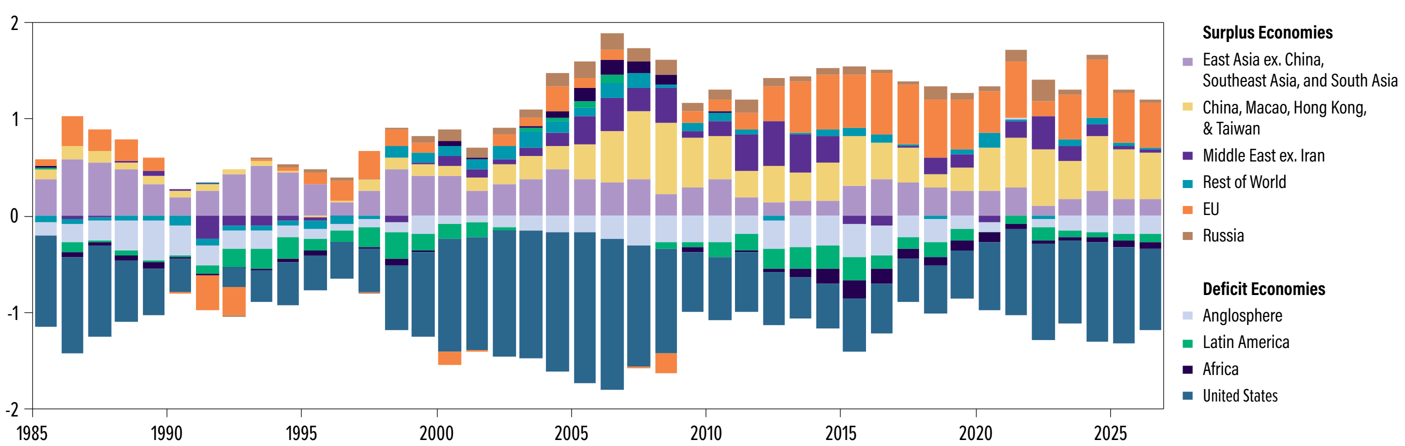
Since neoliberalism's resurgence in the 1980s and China's subsequent World Trade Organization (WTO) entry in the early 2000s, **global trade and financial flows have become increasingly *"imbalanced"* – so much so that they could no longer be comfortably or willingly tolerated, most notably by the U.S.** And once America acts, other countries feel the impact and move to defend their own interests. U.S. action has intensified since our last Update, stoking other countries' responses and accelerating the broader deglobalization trend.

What is the U.S. Trying to "Rebalance"?

What do we mean by imbalanced global flows, and why is the U.S. increasingly less willing to accept them? In short, **the imbalances reflect a gap between how much stuff Americans consume and how much of this stuff they manufacture and produce for themselves**. Anything consumed but not produced in the U.S. is necessarily made by, and imported from, other countries. This gap, as (roughly) measured by the U.S. *current account deficit*, has persisted since the early-1980s, coinciding with America's growing role as the global economy's largest, most reliable consumer. On the flipside, the EU, Japan and especially China have stepped up to produce and export the goods and services that the U.S. and other countries desire **(Chart 1).**

Chart 1: U.S. Consumption Facilitates Current Account Surpluses Globally

Current Account Balance as a % of Global GDP; Source: IMF



While U.S. households and businesses get relatively cheap imported TVs and iPhones, they do not simultaneously benefit from the jobs, wages and revenue streams that go along with making and selling those things. Instead, those benefits accrue to the exporting countries, as well as global companies with the scale to take advantage of lower-cost production abroad. A segment of the U.S. economy that *does* benefit, however, is finance **(Chart 2)**. Imported goods and services need to be paid for after all, and since American workers are not paid to build stuff made in factories overseas, they need to rely on alternative funding sources, with the options being: 1) borrowing, 2) drawing on savings, and/or 3) having the U.S. government fill the gap by running deficits **(Chart 3)**.[1]

Whatever their source, **other countries accumulate U.S. dollars (USD) in the process, typically investing them in financial assets – such as U.S. Treasuries, stocks and corporate bonds – or, to a lesser extent, direct investments such as real estate and factories. These flows are captured in the *capital account* (Chart 4)**, which mirrors the current account: the latter reflects Americans' net importation of goods and services, while the former reflects foreigners' receipt of assets from the U.S. in return.

Awareness of these flows is key to the global rebalancing discussion, which often focuses narrowly on goods trade, tariffs and the current account. **U.S. policymakers, meanwhile, seem to be increasingly targeting the *capital account* in their efforts to address global imbalances, with implications for U.S. investments**. Beyond reducing the capital account surplus' *size*, Trump's team also appears intent on shifting its *composition*, from financial assets toward productive, job-creating, investments in the real economy.

Chart 2: Manufacturing Wanes, Financial Services Gains

U.S. Output as a % of Total; Source: BEA

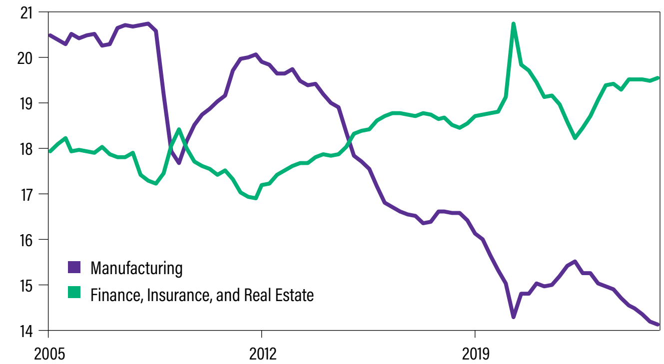


Chart 3: U.S. Sectoral Balances

Net Savings as a % of GDP; Source: BEA

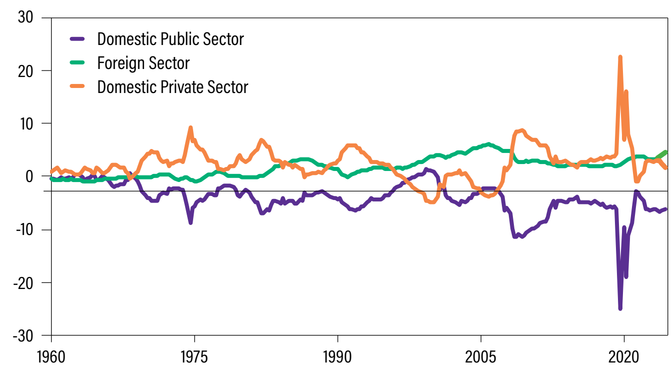
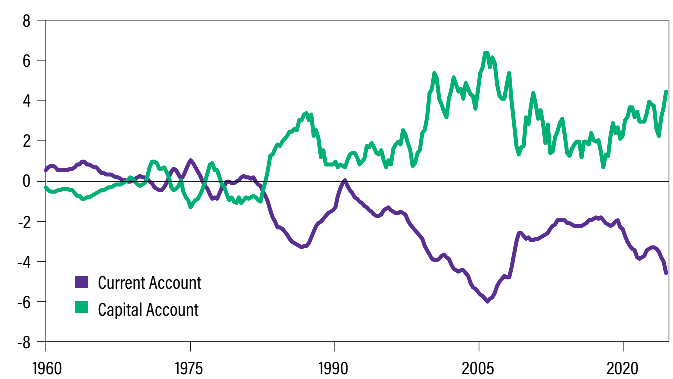


Chart 4: U.S. Balance of Payments

As a % of GDP; Source: BEA



1 Said another way, the only way the American private sector (i.e., households and businesses) and foreigners can net save in USD terms simultaneously is if the U.S. government runs a deficit – something that could become increasingly challenging as the Treasury debt stock, and interest payments on it, continue to grow.

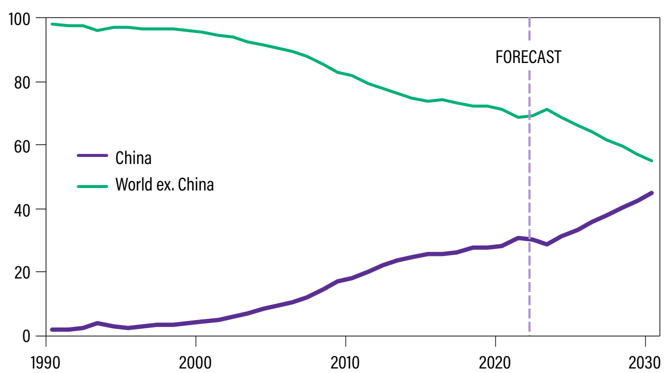
Why the Big Rush?

These global trade and investment patterns have persisted for decades, so why the change of heart now, especially in the U.S.? On the surface, the arrangement looks favourable: have people in other countries make and send you stuff, consume it at a cheaper cost, and send dollars and IOUs back the other way.

While this model offers lower costs, higher profits, financial innovation, etc., it is less appealing to Americans in the new multi-polar world, where China – and not U.S. allies – is the one making much of the stuff Americans want and need. China is expected to account for nearly half of all global manufacturing activity by 2030, including in key strategic areas – such as medical equipment, EV batteries, solar panels etc. – where the U.S. depends on Chinese production **(Chart 5)**.

Chart 5: China Continues Gaining Manufacturing Share

Manufacturing Value Add (MVA) as a % of Global MVA; Source: UNIDO



U.S. policymakers on both sides of the aisle have long recognized the fragility of relying on China. Obama, for example, stepped up trade enforcement cases at the WTO while criticizing China's currency policy. Trump, meanwhile, introduced tariffs during his first term that were subsequently maintained and expanded by Biden, who also introduced new export restrictions on advanced technologies. What differentiates these previous actions, however, is that they focused on China *specifically*, in contrast to the Trump administration's recent salvo which targets all trade partners, not just strategic rivals.

Geopolitical dynamics created the conditions and need for change, but domestic politics provided the catalyst. Consistent with our Inequality theme, dissatisfaction with the neoliberal status quo has been building for years. There is a sense that, while the economic pie seems to be growing, individuals' slices are not keeping pace. The resulting discontent has fueled populist party support in Europe, while Trump has attributed his election success to representing "the forgotten men and women of America".

Rest of World Pulled into the Fray

Winning a second term with that messaging has emboldened Trump to pursue his political mandate for change and putting "America first". **While his actions to this end have caught many by surprise, it has also prompted policymakers in other countries to respond** – often through measures that help address imbalances in ways the U.S. finds appealing (e.g., NATO members increasing defence spending, the EU easing its fiscal debt brake, etc).

By stirring other countries to action, the Trump administration has added to the breadth, and thus staying power, of the deglobalization trend. The strategic push for domestic production in a fragmenting world is similarly long-term in nature, as are populist demands to prioritize Main St. jobs over Wall St. profits. This is not unique to the U.S. Many advanced economies have seen their manufacturing sectors decline, fuelling a popular backlash against international trade and a renewed focus on domestic job growth.

Trump's interventionist and competitive approach has accelerated deglobalization, with policymakers around the world now pulling various levers – from tariffs, to capital controls, to fiscal and industrial policy – in an effort to reshape and protect their own economies.

POLICY INFLECTS TO RESHAPE GLOBAL TRADE AND FINANCE

Theme: Policy Inflection

ACCELERATING

From the Americans' perspective, the goal is to produce more domestically, consume relatively less from abroad, and have other countries do the reverse. After seeing global imbalances persist for decades, **U.S. policymakers are now increasingly looking to policy intervention, rather than just economic and market forces, to reshape global trade and financial flows**. The shape of this intervention depends on how they diagnose the root causes of the imbalances. Meanwhile, their counterparts in China, Europe, Japan, Canada, etc. will have their own views on imbalances' causes and desirability, and will act and respond accordingly.

Who's to Blame? Meddling Policymakers, Free Markets...or Both?

Discussions around imbalances often devolve into a blame game: *"American households can't resist consuming beyond their means"*, or *"China uses others' intellectual property to ramp up production and flood global markets with cheap goods"*, etc. While both narratives hold some truth, they obscure deeper, philosophical divides over the optimal roles of free market forces versus the "visible hand" of policymakers.

The U.S. owes much of its prosperity to the key roles played by market forces, profit incentives, open borders (for people and capital), and stable political and legal institutions. **Many of these same features, however, have encouraged the offshoring of production while steering foreign capital flows into financial assets over productive investments, perpetuating global imbalances in the process.**

China, in contrast, prioritises national strategic goals over efficiency and profits. Through subsidies, cheap credit, and currency management, it has boosted employment and come to dominate global production in key strategic sectors like clean tech, EVs and advanced electronics, with excess output exported. While Chinese policymakers have effectively pursued these objectives, there are economic downsides to their approach, including the implicit subsidization of manufacturers and exporters by households and importers. **By favouring investment over domestic consumption, Chinese policy also contributes to global imbalances.**

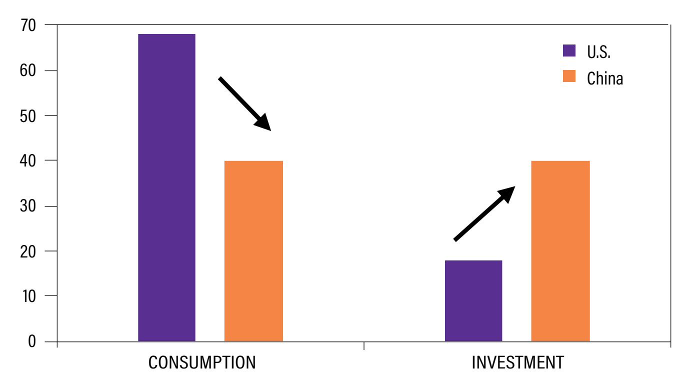
Regardless of where one lands in the debate over which system is more effective or is to blame for imbalances, **what matters for investors is that the U.S. has decided it wants to change the global trade and finance patterns resulting from this combination of approaches. To this end, the U.S. is deploying game-changing policy tools**, resulting in some of the most dramatic policy inflections seen in decades and prompting responses from other nations. To help sort through the noise and headlines that tend to follow President Trump, we group these policy tools into four broad buckets:

a. Domestic demand (fiscal, relative to global peers)
b. Cost competitiveness (tariffs, currency strength)
c. Industrial policy (targeted government support, foreign "directed" investment)
d. Novel approaches (capital controls, sovereign wealth fund (SWF), stablecoins)

While the chosen policy mix remains uncertain, **it will likely push the U.S. economy to look more like China's and the EU's in some ways over time (i.e., more investment, less consumption), and vice versa (Chart 6). It will also likely see the U.S. and its allies become more hands-on and interventionist**, aimed at levelling the playing field with China and safeguarding national interests. The following sections explore these levers.

Chart 6: U.S. Seeks Economic Role Reversal With China

As a % of GDP; Source: BEA, NBS



a) Stoking Domestic Demand: Allies and Competitors Respond

The Trump administration has made clear that it no longer wants the U.S. to passively accept the rest of the world's excess production, nor the financial inflows that go along with consuming it (recall capital account surplus). Coinciding with this shift is a broader "America first" approach that is seeing the U.S. step away from its role as global hegemon and military guarantor to allies. In addition to "bringing jobs home" and growing domestic production, U.S. policymakers hold the view that this approach will improve self-sufficiency and security while addressing populist pressures for change.

The rest of the world is not standing idly by, watching the U.S. step away from its traditional roles as the world's policeman and consumer-of-last-resort. Instead, **policymakers in other countries have been called to action to reduce dependencies on the U.S.** Europe, for example, is embracing more pragmatic and flexible fiscal policy to boost demand and improve regional security. Germany has been particularly active, suspending its 'debt brake' to clear the path for a significant increase in defence and infrastructure-related spending. This shift could mark a watershed moment for the European economy, as it would address one of the region's most debilitating institutional flaws – namely, 'forced' pro-cyclical fiscal policy, which is especially harmful when combined with the region's shared currency and monetary policy.

Canada, meanwhile, has introduced initiatives to improve infrastructure, boost defence, and expand industrial capacity. Diversifying away from the U.S. is a key strategic objective, as evidenced by the government's proposed $100 billion "trade diversification plan". In addition to seeking improvements around existing (non-U.S.) free trade agreements, policymakers have also reduced inter-provincial trade and labour mobility barriers in the hopes of stimulating trade *within* Canada. Households and businesses have added to these efforts with informal boycotts of American goods and cross-border travel, combined with "buy Canadian" campaigns of their own.

Combined, **many of these policy responses complement U.S. efforts to rebalance global flows**. Fiscal stimulus and higher domestic demand can help non-U.S. businesses reduce their dependence on the American consumer, while potentially expanding foreign markets for American producers. They can also ease U.S. fiscal pressures directly (e.g., by having others account for more of the global military tab) or indirectly (e.g., by lowering the current account deficit).[2]

From an investment standpoint, these policy inflections could expand the opportunity set outside the U.S., especially in regions where demand support (e.g., Europe) or domestic trade and infrastructure investment (e.g., Canada) has lagged. Even if economically inefficient, building (possibly redundant) productive capacity for improved self-sufficiency and economic resiliency could become an important source of new demand.

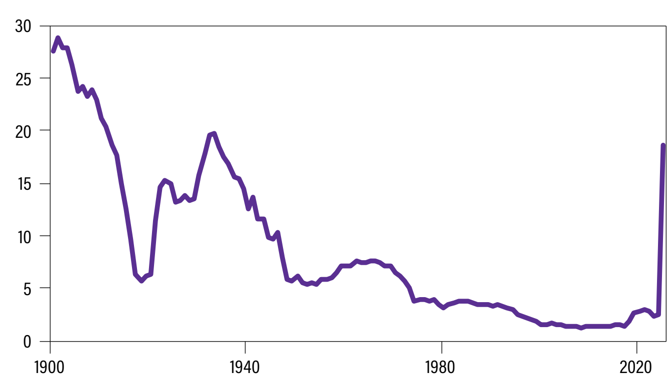
b) Cost Competitiveness: Tariffs and a Weaker Dollar to the Rescue?

Expanding foreign demand is not enough in the Trump administration's eyes. **U.S. leadership also wants American goods and services to become *relatively* more attractive (read: cheaper) than foreign ones.**

To this end, the current administration has leaned heavily on tariffs, which often lead to higher prices for imports in the domestic market. **Trump's recent tariffs accelerate the deglobalization trend.** The ones introduced by Trump in 2018 and Biden in 2024 were much more focused, primarily targeting China and select strategic sectors. The current approach is much more aggressive, pushing the average tariff rate in the U.S. to its highest level since the Great Depression **(Chart 7)**. It is also broader in its reach, with key allies such as Canada, Mexico, the U.K., Japan, South Korea, Australia, Brazil, India, and the EU also targeted. Even so, China still faces the highest tariffs, which are designed to stifle its progress in strategic sectors while limiting its ability to circumvent the tariffs via other countries.

Chart 7: Highest Tariff Rate in 100 Years

U.S. Average Tariff Rate (%) on All Imports;
Source: Tax Foundation, Yale Budget Lab



2 Which, all else equal, would mean foreigners are net saving less in USD and, therefore, U.S. domestic sectors – public or private – are net saving more. Recall Chart 3 - sectoral balances.

Weakening the USD is another way to make American goods and services relatively cheaper. Senior members of the current U.S. administration argue that global demand for dollars and USD-denominated assets has inflated the currency's value, hurting domestic producers' competitiveness in the process. Their thinking is that by discouraging this demand and weakening the USD, global imbalances can be improved.

This thesis faces challenges. For one, *gross financial* flows far exceed the *net real* ones reflected in the current account balance and, therefore, likely play a relatively larger role in driving currency movements **(Chart 8).** Moreover, prolonged periods of USD weakness in the past have not seen a reduction in the U.S.' current account deficit **(Chart 9)**. Still, **what matters more than theoretical reasoning is the practical reality that U.S. political leadership appears to welcome a weaker USD**.

There are several ways they could encourage currency weakness, some of which were evident in the early months of Trump's second term. One is to raise questions about the predictability and reliability of the U.S. as a trade and military partner globally, and the strength of its institutions domestically. By challenging the U.S.' commitment to NATO, threatening to annex neighbours, tariffing allies, attacking the independence of the Federal Reserve, and testing the boundaries between executive and judicial powers, the Trump administration has introduced uncertainty that could dampen confidence in, and the demand for, the USD.

Reducing foreigners' appetite for USD aligns with broader goals. In addition to making American goods more competitive (thus reducing the current account deficit), it can also prompt global investors to diversify away from U.S. financial assets (thus reducing the capital account surplus). **This fits with the earlier suggestion that the administration is targeting cross-border investment flows in their rebalancing efforts.**

A concrete example was the proposed Section 899 in the One Big Beautiful Bill Act which, if passed, would have raised withholding taxes on interest paid to foreign bondholders. Other ideas floated by senior members of the administration include a "user fee" on foreigners' Treasury holdings and unilaterally extending their maturities – unlikely to be passed and implemented, but still indicative of U.S. policymakers' intent.

These efforts appear to be having an effect, whether intentional or not. **The USD weakened following last April's Liberation Day tariffs announcement, despite a (typically-supportive) rise in bond yields (Chart 10).** This divergence points to "new" forces at work, such as investors demanding compensation for previously un-priced U.S. risks, consistent with widening term premia. **It could also signal waning confidence in "U.S. exceptionalism",** with America's growth advantage narrowing as other countries ramp up fiscal support and boost domestic demand.

Chart 8: Gross Financial Flows Dominate

U.S. Capital Account, % of GDP; Source: BEA

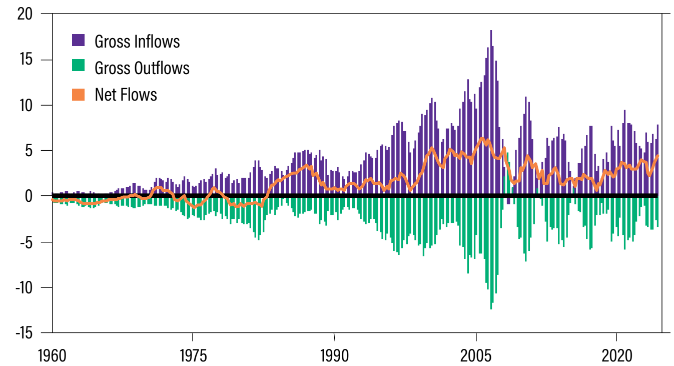


Chart 9: A Softer USD Does Not Always Boost Current Account

Source: BEA, Bloomberg

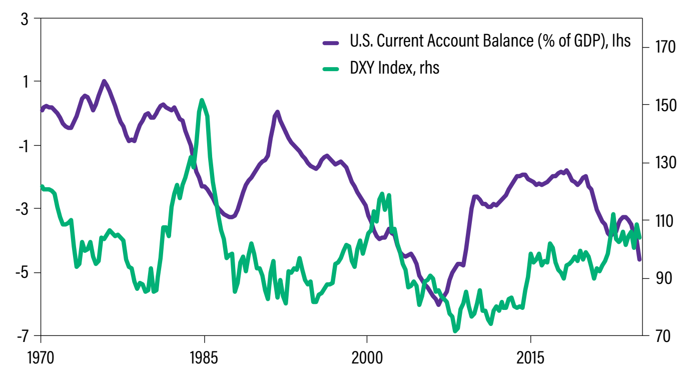
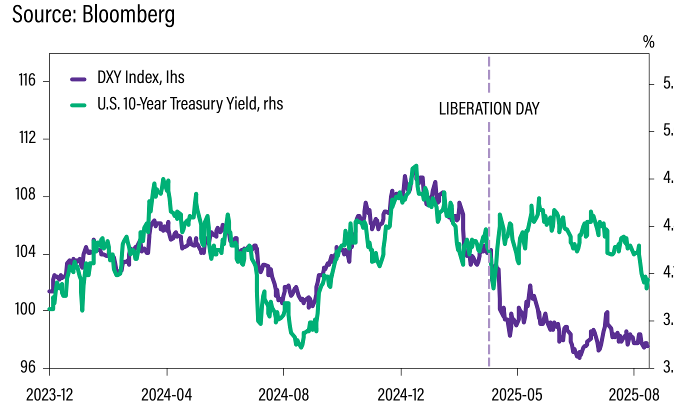


Chart 10: USD & Treasury Yields Diverged Post-Liberation Day

Source: Bloomberg



c) Industrial Policy and Foreign Direct(ed) Investment

Tariffs and a weaker dollar might help American producers' competitiveness, but they are not enough to deliver the U.S.' rebalancing goals. New factories in strategic, highly technical, sectors are not going to sprout up in the U.S. because of a new 20 per cent domestic cost advantage. This is especially true when imbalances are shaped by interventionist policies abroad that are not driven by efficiency or profits. **In this competitive environment, the U.S. government is increasingly using its own "visible hand" to level the economic playing field.**

Through subsidies, cheap financing, favourable regulations, and public-private partnerships, policy can help direct and incentivize activity towards prioritized sectors. **U.S. policymakers across administrations, from Obama to Biden to Trump, have recognized this and embraced industrial policy as a result**. While their approaches may differ, the goal is largely the same – address global imbalances while encouraging domestic production and job creation.

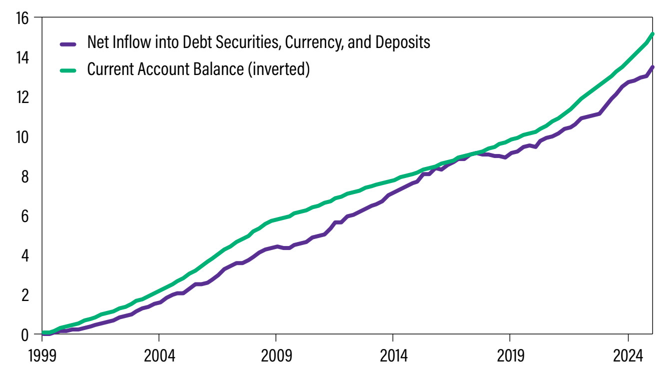
Biden chose a cooperative approach, corralling and aligning allies on trade issues (e.g., Japan and the Netherlands restricting lithographic exports to China, Canada tariffing Chinese EVs). Domestically, his team deployed massive support to strategic industries through the IRA and CHIPS Act, looking to replicate historical successes in ramping up production (e.g., circuit boards, COVID vaccines, etc.). **Biden's industrial policies spurred record growth in U.S. manufacturing construction, concentrated in sectors most targeted by the legislation.**

This traction is now at risk, given Trump's confrontational approach internationally and criticism of Biden-era programs domestically. Much of the capacity was built on the assumption that various supports from the IRA and CHIPS Act – now in jeopardy – would continue. In their place, **Trump has introduced new "business friendly" incentives such as tax write-offs, accelerated depreciation, and de-regulation to encourage companies towards the strategic investments sought by the government.** Of course, there is always the risk that business objectives and national goals do not align.

In some cases, the current administration has done the opposite and pursued an activist, "anti-free markets" approach: pressuring Walmart to "eat the tariffs", demanding Intel's CEO resign and subsequently having the government take a 10 per cent stake in the company, and forcing Nvidia and AMD to surrender a portion of their Chinese sales to the government. **The administration's visible hand also extends globally, tying trade deals to industrial policy at home via pledges from other countries to buy American-made goods or invest in U.S. production.** These moves aim to increase U.S. exports, while shifting the corresponding foreign inflows away from financial assets, especially Treasuries **(Chart 11),** and towards real investments in productive capacity.

Chart 11: Bulk of Net Foreign Savings Flows to Treasuries

U.S. BoP Components; US$ tn; Source: BEA



While such foreign direct investment (FDI) would not shrink the capital account surplus directly (only altering its composition), it could potentially generate jobs and domestic production. Given time, some of this new output could eventually be exported, helping reduce the U.S. current account deficit/capital account surplus indirectly down the road. Although many questions remain around these "buy-and-build American" pledges – *Is it new incremental spending or was it already planned? Who decides where it gets spent? (Trump says it is him)* – their inclusion in trade deals signals a shift in the U.S.' broader strategy.

Trial balloons floated by Trump's team, like user fees on foreign Treasury holders or forced maturity extensions, further suggest a push to redirect cross-border flows towards supporting real domestic economic activity. **If pursued, these policies could provoke responses from other countries, magnifying the potential implications for U.S.-exposed investors – foreign ones in particular.**

d) New and Novel Tools

The Trump administration is pushing the boundaries of traditional policy tools. Whether aggressively tariffing allies or having trade partners "participate" in domestic industrial policy, limits are being tested. **It has also shown a willingness to create *entirely new tools* to address imbalances, notably a proposed U.S. sovereign wealth fund (SWF) and USD-backed stablecoins.**

The envisioned American SWF reflects a hands-on, interventionist approach. **Unlike "typical" SWFs** funded by commodity-driven trade surpluses (e.g., Norges Bank Investment Management, Abu Dhabi Investment Authority), **the U.S. version looks like an industrial policy tool to catalyze strategic domestic investments**. While falling under the Defense Production Act, the U.S. government's 2025 purchase of a stake in MP Materials, the country's sole rare earth producer, provides an example of the types of investments we might see flowing through the U.S. SWF. Similar for the buy-and-build American commitments in recent trade deals, which U.S. Treasury Secretary Scott Bessent described as foreign allies "*providing us with a sovereign wealth fund*".

The administration has also hinted at using the SWF to accumulate foreign assets to promote global rebalancing. Such purchases could help narrow the U.S. capital account surplus *directly* (by steering capital flows outward) and *indirectly* (by weakening the USD and enhancing U.S. cost-competitiveness).

In parallel, **Trump's team is considering new digital finance tools that could help their rebalancing efforts, particularly USD stablecoins** – token representations of dollars backed by USD-denominated holdings (T-bills, deposits, etc.). These tokens can help facilitate digital transactions in areas such as payments, trading, lending and settlement, while bridging traditional finance with crypto ecosystems. **In the administration's view, establishing these digital rails can help the USD remain the most widely-used currency in global trade and markets.**

The GENIUS Act, introduced in 2025, outlines a regulatory framework for payment stablecoins. One of its key features is a requirement that stablecoin reserves (e.g., USD deposits, Treasury securities) ***be held in domestic U.S. institutions.*** While this requirement alone cannot tell us USD stablecoins' likely impact on cross-border capital flows, it does point to greater Treasury demand from private, U.S.-regulated stablecoin issuers in need of collateral. If this demand displaces purchases from foreign investors and official institutions, it will give U.S. policymakers greater visibility into, and control over, the Treasury debt stock.

Just a few years ago, the idea of a U.S. SWF and crypto rails being discussed in U.S. policymaking circles would have been hard to imagine. Their rise into the spotlight is a testament to the scale and scope of policy change underway – often in pursuit of global rebalancing. While rebalancing has been on the U.S. policy agenda for decades, attempts to address it have accelerated under the Trump administration.

This collision of long-term economic trends with a political impulse to act was voiced by Bessent, who just months before being named Trump's Treasury Secretary, suggested that: ***"We're also at a unique moment geopolitically, and I could see in the next few years that we are going to have some kind of a grand global economic reordering, something on the equivalent of a new Bretton Woods... and I'd like to be a part of it."*** If recent policy actions are any guide, it looks like Mr. Bessent just might get his wish.

INFLATION AND UNCERTAINTY AS POLICY OUTCOMES

Implication: End of Low for Long

ACCELERATING

A consistent message in our World View is that, alongside other potential drivers such as demographics, the end of the neoliberal, "hands off" free trade era is likely to coincide with the end of persistently low inflation and yields. The Trump administration's push to rebalance global trade and financial flows aligns with this view, with **"end-of-low-for-long" momentum further accelerated** by other countries' responses.

This momentum reflects a blend of inflationary and growth-friendly policies, with the latter likely playing a relatively larger role outside the U.S. due to the fiscal wake-up call prompted by Trump's approach. **Within the U.S., the inflation piece could dominate**, especially if the Fed's ability to tighten monetary conditions is compromised by the Trump administration. A weaker USD, seemingly desired by the administration, could add inflationary tailwinds by raising import costs.

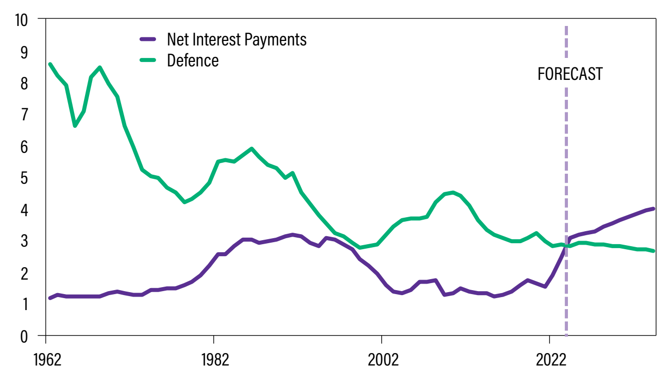
Globally, supply sources and production are being relocated to pursue national strategic goals rather than corporate efficiency and profits, which could result in less efficient, more expensive, production. The Trump administration's aggressive use of tariffs adds impetus to this re-shuffling, as companies seek to maintain competitiveness by shifting production over new higher "tariff walls". **This adds a dynamic element to the tariffs, potentially extending their impact from a one-time increase in the price *level*, to a more sustained increase in the inflation *rate*.**

Central bankers, meanwhile, could face new challenges in achieving price stability. In addition to mounting political pressure, the Fed and other central banks will need to navigate the shift to a multipolar world. **The U.S.' retreat from the global hegemon role raises the risk of more military conflict, supply chain disruptions, and commodity price spikes** – factors that central banks typically look through, focusing instead on influencing demand via interest rates.

Fiscal considerations could further complicate central bankers' jobs. In the U.S., the federal debt stock has grown to a size where interest payments on it now exceed spending on national defence **(Chart 12)**. These payments add to bondholders' incomes and can thus fuel aggregate demand. However, unlike many other types of government outlays – be they for building a bridge, subsidizing a semiconductor plant, or developing fighter jets – there is no corresponding increase in supply to go along with the spending. **If interest income becomes large enough, the Fed could find that further hikes only serve to fuel demand without encouraging growth in the economy's potential output – a recipe for inflation.**

Chart 12: Interest Payments Exceed Defence Expenditure

U.S. Fiscal Spend as a % of GDP; Source: CBO

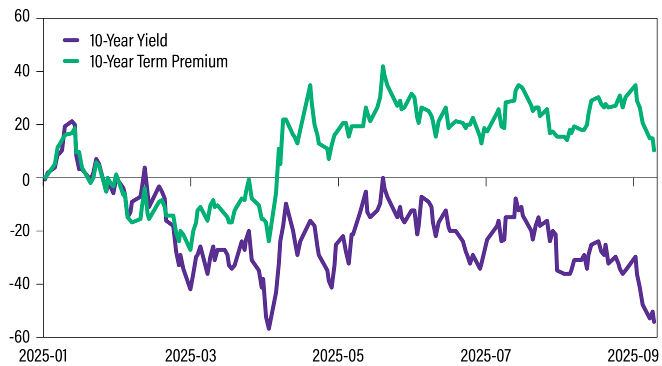


These inflationary developments could encourage higher bond yields and a steeper yield curve, with uncertainty adding further upward pressure. Much of this uncertainty stems from political developments, particularly in the U.S. The Trump administration's willingness to test the boundaries of executive authority and U.S. institutions – be it Fed independence, the integrity of official data, judicial power, or the separation of public and private sectors – has added significant unpredictability to the American investing landscape. Foreign investors face additional uncertainty from potential capital controls and increased U.S. government influence over where they can or 'should' invest, as demonstrated by conditions included in recent trade deals (e.g., with South Korea and Japan).

Bond markets are not immune to this uncertainty. While Treasury yields reflect expectations for U.S. growth and inflation (and thus policy rates), they also capture investor demand and risk appetite. These latter drivers are roughly captured by the "term premium" component of bond yields, which represents the additional compensation investors require for holding longer maturities. While not directly observable, the term premium can be estimated via various models. According to these estimates, **the term premium has risen much more than overall yields since the end of 2024 (Chart 13) – consistent with investors' need to be compensated for the heightened uncertainty ushered in by the Trump administration.**

Chart 13: Term Premium Has Propped Up Long-term Yields

Cumulative Change Since Jan 1, 2025 (bps); Source: Bloomberg



This matters for portfolio construction, as U.S. Treasuries have long served as a counterweight to risk assets. But if bond yields rise for "bad" reasons (e.g., policy unpredictability) rather than "good" ones (e.g., improved growth prospects, avoiding deflation, etc.), their role as a diversifier could erode. Or, said another way, the stock-bond correlation could become less reliably negative in a world where policy surprises, supply shocks, and inflation uncertainty increasingly drive bond yields. If investor demand for Treasuries is dented as a result, the term premium could widen further, pushing yields higher for reasons other than shifting macroeconomic fundamentals.

The USD's recent performance reinforces the message from term premia – America's role as a stable, welcoming partner in global trade and finance could be shifting, and investors need to adjust accordingly. Following Trump's Liberation Day tariff announcements, the USD depreciated even as Treasury yields rose, marking a break from the "normal" relationship between these two macro variables. This divergence could be an early sign that investors are indeed reassessing the USD's role as a safe haven through periods of economic and market stress.

Actions Investors Can Take

The acceleration in U.S. efforts to address global imbalances, combined with Trump's unpredictable and unconventional approach, could weigh on the USD in the years ahead while potentially lifting inflation and bond yields. To help manage the resulting risks and opportunities, investors can:

- Shift fixed income exposure to shorter maturities, given the potential for yield curve steepening. This potential appears especially pronounced in the U.S., where an increasingly-politicized Fed could weigh on yields in the short end, while policy risks and uncertainty contribute to wider term premia – and thus yields – at longer maturities. Tariffs and a weaker USD could add further impetus for higher U.S. yields if they boost the cost of imports, with knock-on effects to inflation more generally.
- Explore potential alternatives to the USD as a store of value and safe haven during periods of market stress. Possibilities include currencies such as the Swiss franc and the Japanese yen, in addition to traditional safe-haven assets such as gold.
- Consider assets tied to production and the physical economy, including in strategically important areas such as AI- and energy-related infrastructure, technology and health care. Given that you "need stuff to make stuff", opportunities could arise in commodities, materials, energy and other natural resources as governments look to build their country's productive capacity while securing supply chains. Many of these assets tend to fare relatively well through inflationary periods, providing a potential complement to other inflation-sensitive assets such as real return bonds.

DIVERGING POLICY PATHS, DIVERGING MARKET OUTCOMES

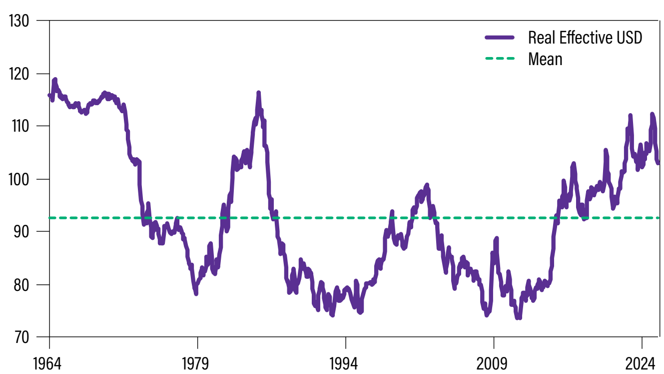
Implication: Heightened Volatility and Greater Dispersion

ACCELERATING

The case for a structural downshift in the greenback is reinforced by American policymakers' apparent desire for this outcome, coupled with historically elevated USD valuations **(Chart 14)** and a potential fading of the "U.S. exceptionalism" story. **While the U.S. will likely remain near the top of the growth leader board, its gap relative to the rest of the world could narrow as other countries increase policy efforts to boost their economic independence and defence capabilities.**

Chart 14: Heady Heights for USD

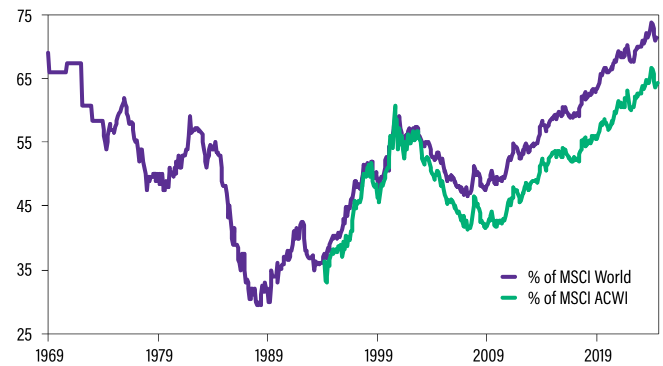
Source: BIS



This narrowing in economic prospects would come at a time when investors are heavily over-weight U.S. assets **(Chart 15)**, with a particularly high concentration in tech-related names. While investors have long been attracted to the U.S. by its deep and liquid markets, open borders, business-friendly policies, stable institutions, etc., they have recently been further allured by American companies' leadership in the nascent AI revolution.

Chart 15: Global Indices Increasingly Concentrated in U.S.

U.S. Market Cap Share (%); Source: MSCI



These forces have combined to push the heavy-weight U.S. tech sector (and thus broader equity market) valuations to historically lofty levels. **Mixing concentrated markets and high prices with Trump's efforts to reshape the status quo and other countries' response to these efforts is a recipe for volatility and disparate performance across geographies and sectors.**

The adjustment towards a less U.S.-centric, more multipolar world will see the fragmentation of trade and security alliances. As economic linkages and integration wane, business and policy cycles will also likely become less synchronized across countries. In addition to bringing risks and instability, this fragmentation can also bring opportunity as countries forge new, unique policy paths in pursuit of evolving national objectives. **Investors will need to respond accordingly, given the potential for volatility and widening dispersion around market outcomes – be they at the geographic, sector, style or company levels.**

ACTIONS INVESTORS CAN TAKE

To manage risks and opportunities presented by rising volatility and widening dispersion, investors can:

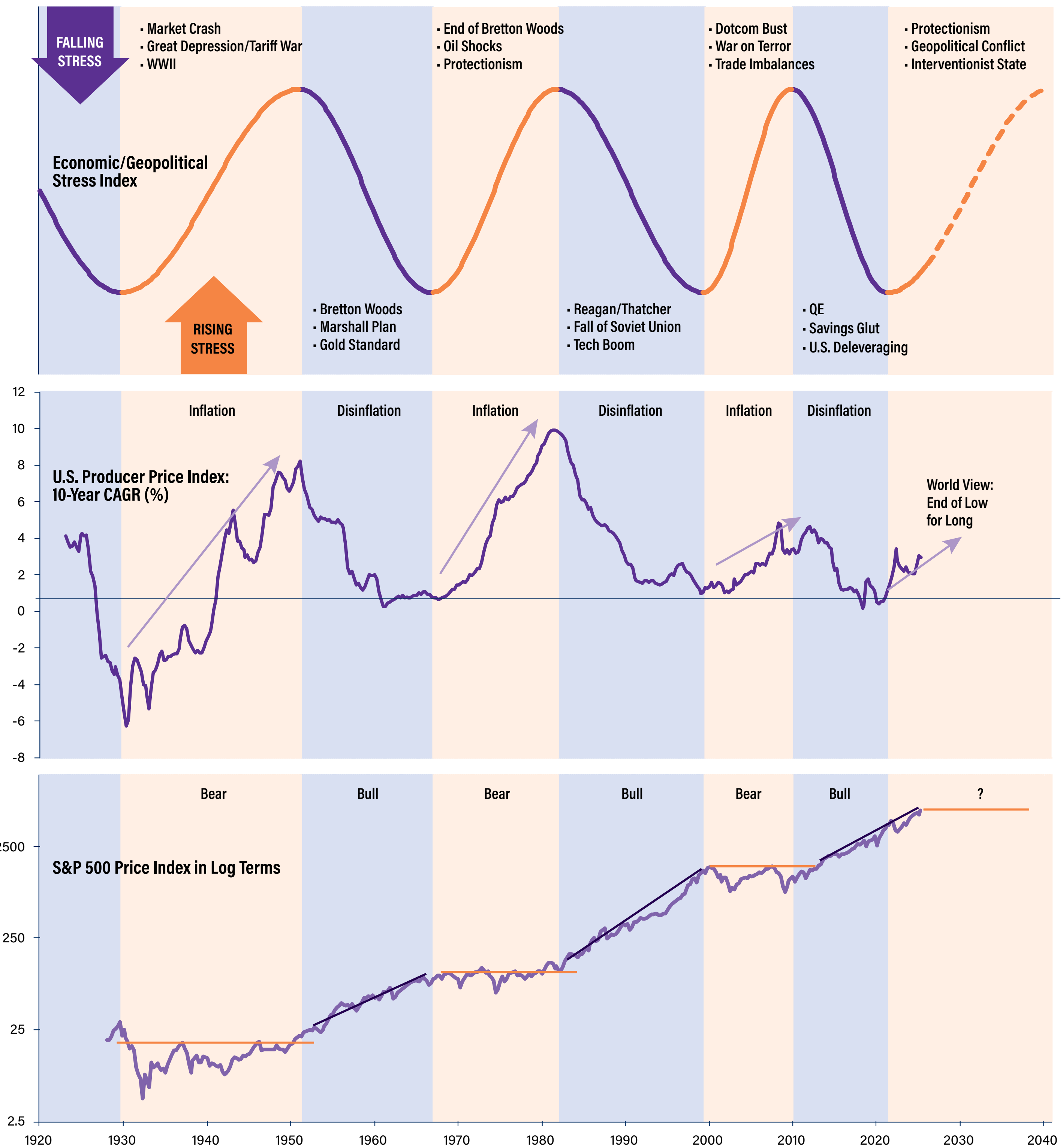
- Incorporate a “macro-aware” approach to asset allocation that potentially benefits from identifying winners and losers in the shift towards a rebalanced global economy – one in which the U.S. plays a different role than investors have become used to over the past several decades.
- Rebalance geographic exposures away from the U.S. to take advantage of opportunities in countries and regions pursuing new, often fiscally-supported, growth strategies. Doing so could also help limit concentration and valuation risks arising from recent “U.S. exceptionalism” and outperformance. Canada’s response to recent trade and geopolitical pressures emanating from the U.S., including a renewed focus on large nationally-strategic infrastructure projects and a reduction in interprovincial trade barriers, could widen the breadth of investment opportunities domestically.
- Adopt tail risk hedging strategies that can help limit drawdowns through extreme market moves and events. Since such strategies become more expensive when uncertainty and expected volatility are elevated, consistently monitoring market conditions can help identify opportunistic implementation windows. Potential avenues to limiting left tail risk include the use of derivatives, owning safe-haven assets that tend to outperform through market drawdowns, reducing exposures to high-risk assets, and diversifying across asset classes, risk factors, and geographies.

Learning from Supercycles

Many of the developments discussed in this deep dive are not unprecedented, with elements seen during previous supercycles. Several historical periods echo today’s dynamics, most notably, the 1930s, 1970s, and 2000s. While the underlying drivers varied, each of these eras was characterized by many of the things we are seeing today: rising geopolitical risk and economic stress, growing distrust among nations, surging military expenditures, and commodity price shocks. Macroeconomically, these periods tended to coincide with inflationary pressures and challenging financial market environments **(Chart 16)**. This is not to say that we should expect an exact replay of the past in the years ahead, but rather to look for a distinct version of it – one shaped by familiar forces and identifiable patterns. Recognizing these historical parallels can help investors anticipate elements of the new global economic regime and better prepare for the unique challenges and opportunities it brings.

Chart 16: Economic/Geopolitical Cycles vs. Inflation and Equity Returns

Source: BLS, Bloomberg



Monitoring and Assessments

The remainder of the Update reviews recent developments for the Themes and Implications not covered in the deep dive. A summary of the monitored items' evolution is provided for each of the four Themes and four Implications, along with our assessment of their recent momentum.

ADDRESSING INEQUALITY

Growing inequality has helped drive populism in recent years. While incumbent governments made addressing inequality a priority, they were punished last year amid high housing costs and inflation. Despite ongoing concerns, the new U.S. and Canadian administrations have shifted their focus away from addressing inequality, at least in direct re-distributive terms. President Trump's tariffs and budget bill are regressive, while Prime Minister Carney is focusing on economic growth and trade diversification. Despite these recent policy developments, the theme remains entrenched globally.

HOW WE MONITOR THIS THEME

- **Measured gauges:** Canada's Gini coefficient (after tax) has improved, and labour's share of income is rising. In the U.S., wealth inequality has been on an upward path since the 1980s, while labour's share of income remains historically low. Recent graduates in both countries are facing high unemployment rates.
- **Social responses:** Trump's re-election reflects populist sentiment that persists regardless of whether his implemented policies are regressive. European elections show traditional centrist parties losing ground to both far right and far left candidates.
- **Eonomic and policy implications:** Trump's anti-immigration policies and tariffs are accepted by his base as helpful in addressing middle class job losses. In Canada, Carney's government is focused on housing and immigration concerns, while looking to shield jobs and industries from U.S. tariffs.

Recent Developments and Momentum

STEADY

Over the past decade, U.S. and Canadian elections have centred on middle-class economic improvement. While Biden's legislative efforts were pared back (e.g., the American Families Plan), his administration delivered substantial pandemic relief to lower-income groups. Trudeau pursued re-distributive policies like tax reform and childcare, but faced scrutiny over housing, immigration and youth employment.

While inequality remained a key theme in recent campaigns, the new U.S. and Canadian administrations have diverged from their predecessors. Trump's strategy focuses on reviving U.S. manufacturing, though results may take time. His Big Beautiful Bill is projected to cut Medicare for 15 million Americans by 2034[3], with regressive tax implications **(Chart 17)**. Tariffs may benefit select sectors but risk raising prices more generally, disproportionately hitting lower-income groups **(Chart 18)**. In Canada, Carney has shifted emphasis to economic growth, energy security, and defence – though housing remains a priority.

3 https://www.cbpp.org/research/health/by-the-numbers-republican-reconciliation-law-will-take-health-coverage-away-from

While the new administrations have shifted their approach, **sconsequential theme**. This is especially the case in the U.S., where acceptance of Trump's tariffs, immigration crackdown, and challenges to major U.S. institutions are all symptoms of growing dissatisfaction. While successive generations of Americans have seen marginal gains, younger generations face new challenges. This includes recent graduates, who are entering a tough job market as traditional careers feel the impact of AI and other structural disruptions **(Chart 19)**.

Chart 17: Uneven Distribution of Net Benefits

Average % Change in U.S. Household Resources over the Next Decade from 2025 Tax and Spending Cuts; Source: Yale Budget Lab

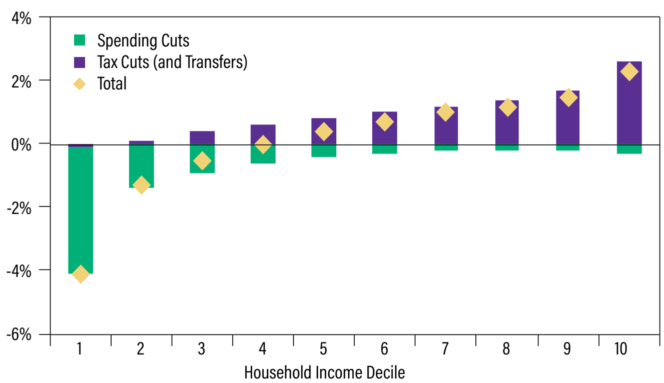


Chart 18: Tariffs Hit Lower Incomes Harder

Distributional Impact of 2025 Tariffs to Date; Percentage Points of Disposable Income by U.S. Household Income Decile; Source: Yale Budget Lab

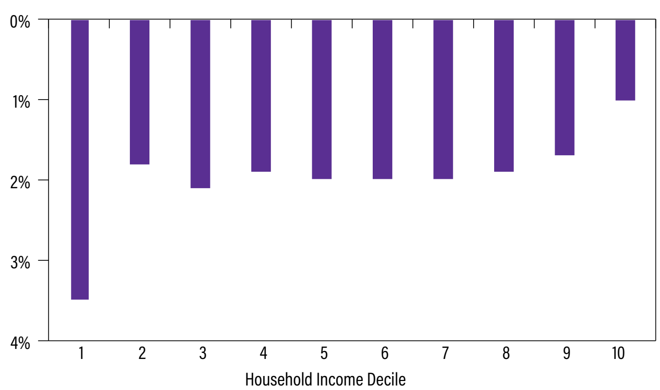
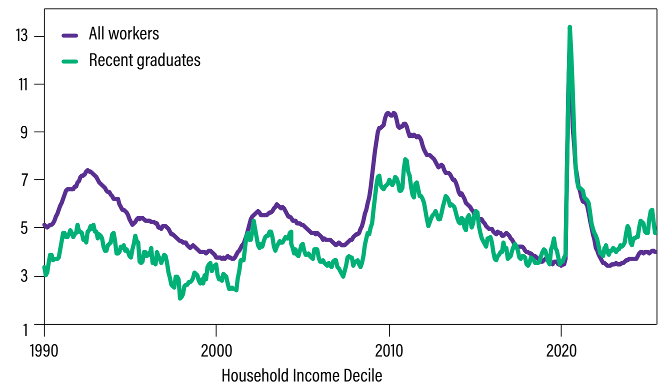


Chart 19: Recent Graduates Are Facing Difficult Job Prospects

U.S. Unemployment Rate; Source: FRBNY



In other jurisdictions, redistributive concerns remain important politically. The U.K. Labour Party's return, Zohran Mamdani's New York City mayoral win, and the popularity of the far-right in France, Germany and the U.K. all suggest that **addressing inequality remains a top concern for voters and politicians**. Together, these developments are consistent with **steady** momentum behind this theme.

WHAT WE ARE WATCHING

- **Canadian and U.S. housing and immigration policy developments,** including Trump's deportations and Carney's actions in support of affordable housing
- **Impact of Trump's tariffs and 'Big Beautiful Bill'** on consumers, inflation, and profits
- **Impact of AI adoption on labour markets**, especially for recent graduates and job creation
- **Chinese initiatives** to improve the country's social safety net, such as basic income supports
- **Support for populist and nationalist parties** globally, and sentiment towards their focus issues
- **Policies to curb corporate influence**, including ones promoting domestic production and job creation over profit maximization

CLIMATE CHANGE AND SUSTAINABILITY

The current trend is shifting toward "energy addition," with countries pursuing energy security through a mix of conventional and renewable sources. In the U.S., Trump's re-election has refocused policy towards conventional energy. In 2025, global temperatures also continued to rise past the +1.5°C threshold, weather-related disasters imposed higher economic costs, and there was increased attention on managing physical risks. Surging energy demands from AI and emerging markets, coupled with the U.S. policy shift, have made net zero targets look increasingly unrealistic. Escalating environmental impacts, missed goals, and rising energy demand suggest investor attention could intensify, reinforcing the Theme's long-term significance.

HOW WE MONITOR THIS THEME

- **Climate change gauges:** Global average temperatures (1.5°C above pre-industrial levels) and "unprecedented weather events" (151 per the UN) hit new records. The U.S. saw the second highest number of billion-dollar weather events in 2024, alongside surging home insurance premiums.
- **Energy transition metrics**: Investment and EV sales are growing, but at a slower rate. Solar and wind led new capacity, while carbon utilization rose in emerging markets. Carbon capture investment rose, but remains below net-zero targets. Policy support is weaker in Canada, EU and the U.S.
- **Sustainable investing metrics:** The U.S. government is advancing legislation against Environmental, Social and Governance (ESG) and climate rules, including a possible repeal of the U.S. Environmental Protection Agency's (EPA) endangerment finding. Many firms are scaling back climate commitments, while greenwashing laws are prompting more realistic disclosures.

Recent Developments and Momentum

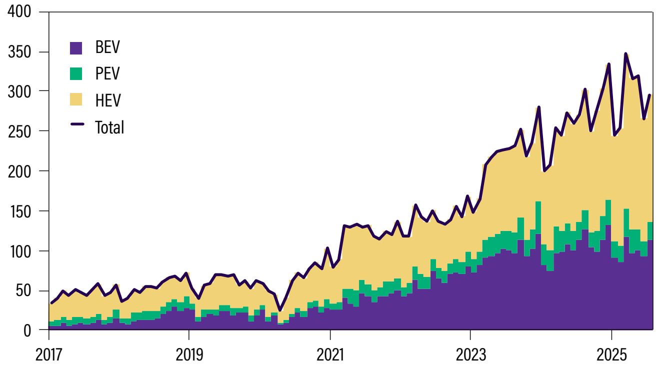
DECELERATING

The second Trump administration has taken a clear anti-renewables stance. On day one, Trump declared a national energy emergency, exited the Paris Agreement, rolled back EV targets and removed restrictions on oil and gas exploration, offshore drilling, development, and exports. A 90-day freeze was placed on energy projects tied to the IRA and Infrastructure Investment and Jobs Act (IIJA). Trump's subsequent "Big Beautiful Bill" rescinded support for early-stage renewables projects and EV purchases, which have seen slowing growth **(Chart 20)**. The Bill also limits funding for renewable energy facilities entering service after 2025 that use inputs from 'prohibited foreign entities,' including China-based ones. These moves are expected to reduce U.S. clean energy capacity relative to prior forecasts over the next decade, with potentially large implications for the U.S. automotive sector and related industries in the EV race against China.

Trump has targeted ESG laws and climate-related policies at the state level and ones deemed to be impeding the U.S. energy sector. The EPA, meanwhile, has signalled plans to revoke the 'endangerment finding' that greenhouse gases harm public health and welfare. Major U.S. banks recently left the UN Net Zero Banking Alliance, possibly to align with the new administration's stance. **Europe, while still a leader in the energy transition, is increasingly balancing climate-related goals with competitiveness and security concerns.** For example, the region has delayed sustainability reporting while reducing its scope.

Chart 20: Monthly U.S. EV Sales Have Moderated

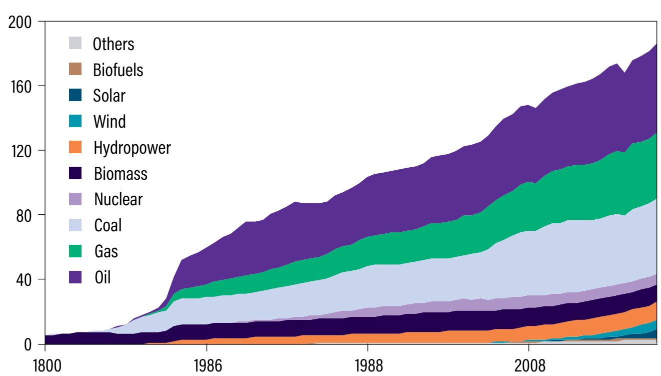
Number of Units (000s); Includes HEV, PHEV, and BEV;
Source: Argonne National Laboratory



As policy stalls, climate risks are intensifying. Weather-related disasters are rising alongside record global temperatures, and **scientists warn that the 1.5°C target is increasingly out of reach**. The International Energy Agency's (IEA's) claim of 'peak coal' in 2023 proved premature **(Chart 21)**, as emerging markets continue to rely on all available energy sources to meet growing demand. Globally, **energy demand is still rising, driven in part by AI (Chart 22), casting doubt on the energy transition path**. Though 90 per cent of new electricity-generating energy additions in 2024 were renewable[4], estimates suggest **countries are already off-track on their 2023 objective to triple global renewable energy capacity by 2030**. According to the IEA, investment in technologies like carbon capture and storage, while increasing, remains far below net-zero requirements.

Chart 21: Global Consumption of Non-Renewables Still Rising

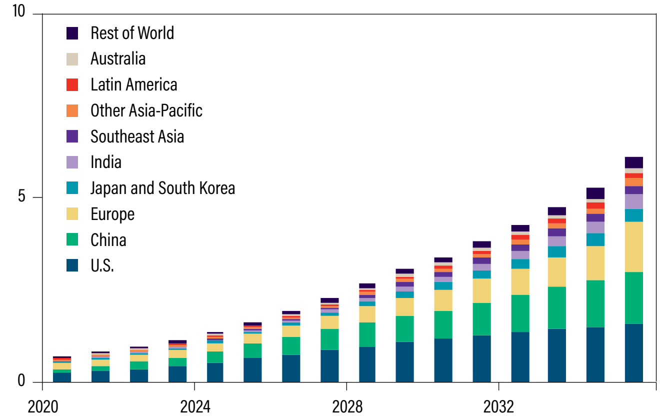
Global Primary Energy Consumption by Source; TWh (000); Source: Energy Institute - Statistical Review of World Energy (2025); Smil (2017)



4 International Renewable Energy Agency (IRENA) Renewable Capacity Statistics 2025

Chart 22: Data Center Power Demand Set to Quadruple by 2035

Power Demand from Data Centers, Exajoules;
Source: BloombergNEF New Energy Outlook 2025



While short-term cyclical **decelerations** in this theme were expected, we maintain our conviction that long-term investor exposure to sustainability issues will grow. Energy transition investments and adaptation will be required as climate change and rising energy needs converge. Governments' pivot to energy security, while a recent headwind, may ultimately support clean energy as a resource in the long-term.

WHAT WE ARE WATCHING

- **U.S. legislative developments** around EPA efforts to revoke 'the endangerment finding' and further efforts to push back against state level ESG initiatives
- **Energy policy making its way into trade policy**, such as restrictions on rules of origin in EVs
- **Trends in global climate litigation** following the recent International Court of Justice ruling that countries can be held liable for damages related to climate change
- **COP 30-related developments**, especially relating to climate plans and climate finance
- **Economics and marginal cost of clean energy production and carbon capture technologies**, including energy prices, policy supports, and technological advances e.g., nuclear fission
- **Emerging market and AI-related energy consumption trends** and energy mix

DISRUPTIVE TECHNOLOGIES

Persistent advances in artificial intelligence (AI) and electric vehicle (EV) battery technology underscore their influence across various industries. AI adoption is speeding up, quickly evolving from testing to routine use. Looser regulations could boost innovation, but they might also increase cybersecurity and unchecked model proliferation risks. EV battery innovations continue to push progress in mobility and energy.

HOW WE MONITOR THIS THEME

- **Investment in, and proliferation of, existing technologies:** Hyperscalers' AI capex hit roughly $300 billion in 2025. AI jobs now account for a quarter of U.S. IT openings and 1.5 per cent of all postings, though broader impact remains limited. EV sales softened outside China, but remain strong within, where over half of global sales occur. EV capex is steady, focused on batteries, charging, and assembly.
- **Innovation and research around emerging technologies:** AI models (e.g. Grok4, DeepSeekV3, GPT5) are evolving rapidly, replacing older ones. Transport tech is advancing via solid-state batteries and faster EV charging. Quantum computing is progressing, with chip breakthroughs (e.g. Google-Willow, Microsoft-Majorana, etc.) moving the technology closer to solving real-world problems.
- **Policy support for R&D and technologies:** The U.S. has adopted lighter-touch AI policy, with Trump's AI Action Plan emphasizing voluntary standards and sector-specific guidance. This contrasts with the EU's AI Act, which introduces binding rules on model risk, transparency, and accountability. In green tech, Trump's fiscal package reduces EV and clean energy incentives compared to earlier legislation.

Recent Developments and Momentum

STEADY

The past year marked a pivotal phase in AI's evolution, highlighting its rapid pace and the competitive nature of technological disruption. It began with the launch of DeepSeek, a Chinese open-source large language model (LLM) with performance rivalling established Western models' at lower cost, exciting end-users but raising investor concerns about the substantial capital committed by hyperscalers (e.g., Meta, Microsoft, Alphabet, Amazon) and potential return erosion from low-cost alternatives.

Rather than undermining the AI investment thesis, **DeepSeek reflects a familiar pattern in disruptive markets: greater efficiency drives broader adoption.** This is consistent with Jevons Paradox, the economic principle that as the amount of an input required to produce a unit of output *falls*, its overall usage tends to *rise*. Through this lens, **demand for AI and its "inputs" is likely to expand further as efficiency improves**.

This expansion is evident in U.S. Census Bureau data: **nearly 10 per cent of surveyed American firms report using AI regularly (Chart 23)**, a significant rise signalling a shift from experimentation to operational adoption. Large firms lead in adoption so far, while medium-sized firms indicate the fastest *expected* increase. Earnings from leading AI-related firms remain solid despite forecasts of a decline following last year's investment surge **(Chart 24)**. Such swings, from initial exuberance to skepticism, are typical of technological disruption, where its long-term impact is underestimated early stages of mass adoption.

Chart 23: Widespread AI Adoption Just Beginning

Economy-Wide Firm AI Adoption Rates (%);
Source: U.S. Census Bureau

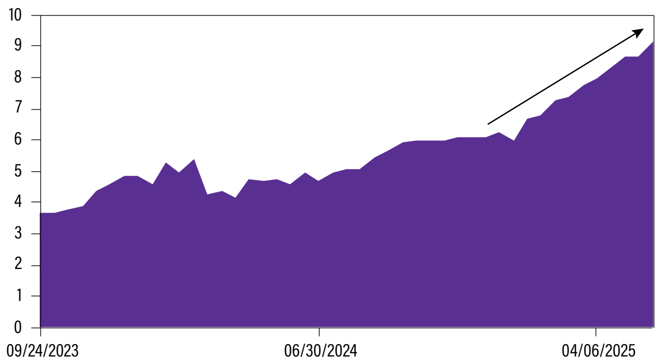
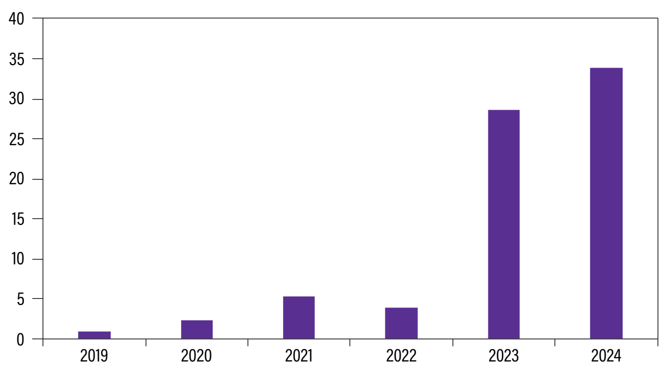


Chart 24: Private GenAI Investment Is Very Robust

Global Private Investment in GenAI (US$ bn);
Source: Stanford, AI Index Report 2025



Regulatory dynamics have shifted with the second Trump administration, moving away from Biden's more precautionary approach. The White House has paused funding for oversight bodies like the AI Safety Institute and deprioritized voluntary AI safety commitments. Efforts are underway to roll back Biden-era executive orders on AI governance and data localization, among others. While easing compliance burdens could accelerate domestic AI development and commercialization, it raises risks around unchecked model proliferation, cybersecurity, and AI systems' alignment with human intent – underscoring the need for responsible governance in a rapidly advancing field.

Beyond AI, **EV battery tech continues to advance and remains a key driver of disruption in transportation and energy storage**. Solid-state battery breakthroughs (e.g., Toyota's higher density and faster charging prototype, CATL's sodium-ion tech) have raised expectations for next generation performance. Meanwhile, cost reductions and improved lithium-iron phosphate chemistries have enabled broader adoption, especially in entry-level models and commercial fleets.

In our assessment, these developments combine to provide **steady** momentum for this Theme.

WHAT WE ARE WATCHING

- **Emerging breakthrough technologies**, such as quantum computing, advanced robotics, bioengineering, space technologies, immersive reality, advanced nuclear energy innovations (e.g., small modular reactors (SMRs), fusion research), and disruptive tech disrupting *itself* (e.g. DeepSeek)
- **Cross-industry use of innovations**, such as AI adoption in healthcare, automation in manufacturing, and blockchain integration in finance
- **Economy-wide productivity gains,** including through task automation via Generative AI and robotics
- **Evolution of AI deployment phases**, moving from the installation of core AI infrastructure to the incorporation of AI into business models and product offerings by "AI enabled" companies
- **Social attitudes and policy approaches** to oversight and advancement of AI and clean energy technologies, and efforts to support them via R&D expenditures, venture capital, incentives, etc.

EVOLVING MARKET STRUCTURE

Private markets remain on a long-term growth trajectory. Near-term trends across its four segments (i.e., private equity, private credit, infrastructure, and real estate), however, are not uniform with some areas exhibiting a moderation in activity. At the same time, emerging regulatory developments and shifts within the sector are reshaping the private markets investable universe and possibly expanding access to these traditionally exclusive asset classes.

HOW WE MONITOR THIS THEME

- **The investable universe:** Trump's order directing agencies to revisit regulatory guidance could open 401(k) plans to private assets – accelerating the "democratization" of alternatives in the U.S.
- **Asset class composition:** Private equity fundraising remains in a slump, while private credit's continues to expand. Non-bank financing and digital assets now account for 40 per cent of alternatives, reflecting demand for yield, diversification and, especially in crypto, the potential for outsized returns.
- **Investor behaviour and preferences:** The passage of the GENIUS Act (July 2025) establishes a framework for U.S. payment stablecoins, requiring full safe asset backing and prohibiting interest payments. This could present challenges for, and be resisted by, the traditional banking industry.

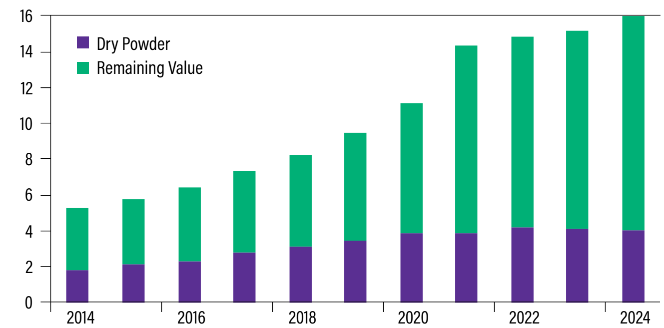
Recent Developments and Momentum

STEADY

While private markets continue their long-term expansion, recent data indicate a moderation in this growth (Chart 25), particularly in private equity. Overall fundraising across private asset classes fell in 2024/25 to its lowest level since 2016, marking a third consecutive annual decline.[5]

Chart 25: Moderation in Private Capital Growth

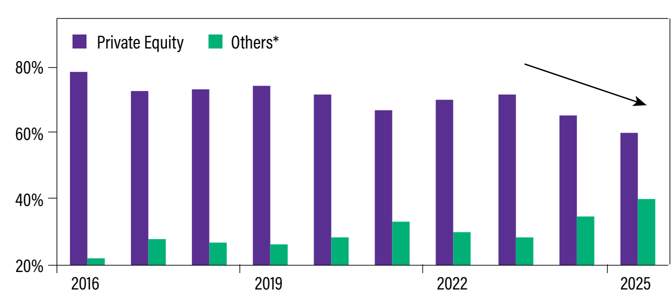
Global Private Capital AUM (US$ tn), as of End 2024; Source: PitchBook



Alongside this moderating growth environment, the composition *within* the alternative-markets universe is shifting. Private equity's share has receded, while flows into hedge funds and digital assets (blockchain-based instruments such as cryptocurrencies and tokenized securities) claim a nascent but growing presence **(Chart 26)**. Private credit continues to expand, consistent with its growing role as a non-bank lending channel and alternative source of direct financing outside of public markets and banks.

Chart 26: Private Equity's Share In the Alternatives Universe is Falling

Share of Assets as a % of Alternatives Universe; Source: Bloomberg



*Includes Private Debt, Real Estate, Hedge Funds and Digital Assets; 2025 through to July 2

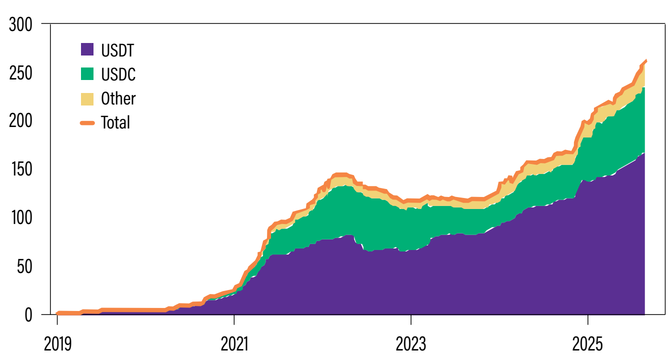
5 McKinsey & Company. *Global Private Markets Report 2025: Braced for shifting weather*. March 2025.

Despite these near-term crosscurrents, **private markets' secular rise looks set to continue, especially if the investor base widens in the years ahead.** A recent Trump executive order[6] directs the Department of Labour, SEC, and Treasury to revisit regulatory (ERISA) guidance that has discouraged defined-contribution plans from including alternatives like private equity, real estate, infrastructure, and digital assets.[7] The order could enable broader access to private assets via professionally managed 401(k)s or target-date funds, aligning everyday investors with asset classes traditionally reserved for institutional and high-net-worth clients. Implementation will depend on future rulemaking, investor education, and fiduciary standard updates – changes that could take decades to fully materialize.

Market structures are evolving beyond private markets, notably through the U.S. Treasury's pilot use of stablecoins – blockchain-based digital money with a pegged value (to the USD in this case). The July 2025 GENIUS Act[8] establishes a regulatory framework for U.S.-issued payment stablecoins, requiring full backing by permitted reserves such as currency, bank deposits, short-term Treasuries, repos, and government money market funds.[9] While historically used in crypto-native contexts, regulated adoption signals growing institutional legitimacy. The stablecoin market stood at around $260 billion in mid-2025 **(Chart 27)**.

Chart 27: Stablecoin Market Cap Rising Fast

USD Stablecoins in Circulation by Market Cap; US$ bn;
Source: Coinmarketcap.com



If stablecoin adoption accelerates with purchases heavily funded via bank deposits, it could boost demand for short-term Treasurys from coin issuers while reducing banks' own demand. This shift may erode banks' lending capacity if bank deposits – traditionally a key funding source – move into the stablecoin ecosystem.[10] **Any resulting pullback in bank lending could create opportunities for institutional direct lenders, reinforcing the secular expansion of private credit.**

Passive strategies continue gaining share in U.S. retail equity funds and among institutional investors. While these strategies can reduce costs, their mechanical capital allocation – often via market-cap weighting rules – can impair the market's ability to efficiently price assets, and lead to exposures that are misaligned with an investor's goals and values. Taken together, our assessment is that the momentum around this Theme remains **steady.**

WHAT WE ARE WATCHING

- **Regulatory inflection points,** including the GENIUS Act's implementation and potential retirement plan reforms that could reshape safe asset demand and broaden access to alternatives
- **Composition of financing sources**, including the balance between private credit growth and traditional bank lending as stablecoin usage increases
- **Progression of refinancing cycles**, with ones in private equity/CRE key to assessing systemic resilience and liquidity transmission in the next downturn

6 *President Donald J. Trump Democratizes Access to Alternative Assets for 401(k) Investors.* The White House. Washington D.C. August 7, 2025

7 ERISA stands for the Employee Retirement Income Security Act of 1974. It's a federal law that sets minimum standards for most voluntarily established retirement and health plans in the private industry, establishing rules and regulations for employers and plan administrators.

8 GENIUS Act stands for the Guiding and Establishing National Innovation for U.S. Stablecoins Act.

9 Liao, Gordon Y. and John Caramichael, Stablecoins: Growth Potential and Impact on Banking. International Finance Discussion Papers 1334, Board of Governors of the Federal Reserve System, January 2022.

10 Jacewitz, Stefan A. *Stablecoins Could Increase Treasury Demand, but Only by Reducing Demand for Other Assets.* Federal Reserve Bank of Kansas City. August 08, 2025.

CAPITAL INVESTMENT BOOM

Decades of under-investment in developed economies, driven by offshoring and fiscal restraint, have set the stage for a capital investment boom. While politics have shaped the approach (e.g., direct government intervention vs. de-regulation and tax incentives in the U.S.), and at times added near-term uncertainty, there is broad consensus on the need to address energy and supply chain security, domestic production capacity, housing affordability, and tech competition with China. Rising AI and data infrastructure needs, along with defence build-ups, add to long-term momentum.

HOW WE MONITOR THIS INVESTMENT IMPLICATION

- **Public capital expenditures and related policies:** U.S. policy changes affecting the IRA and CHIPs Act – such as funding freezes, incentive revisions, and import restrictions – pose headwinds for capex, though carve-outs and delays soften the impact. Trump's Big Beautiful Bill supports capex via favourable depreciation treatment and deregulation in oil and gas. Direct public investment in capex-related sectors by the U.S., Canada, and Germany continues to reinforce the trend.
- **Private-sector capital expenditures:** AI and datacenter investments have surged, while energy transition spending continues to grow but at a slower pace. Construction activity driven by private and public infrastructure and energy projects has been especially apparent in the U.S. and Europe.
- **The relative market performance of cap-ex related sectors:** S&P construction and engineering stocks have surged since 2020, while AI-related sectors have significantly outperformed the S&P 500.

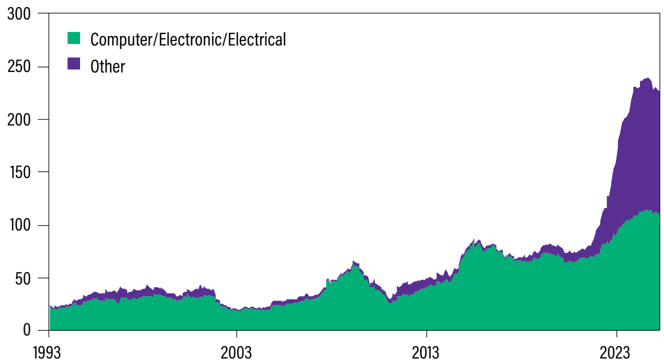
Recent Developments and Momentum

STEADY

After decades of under-investment, capex is maintaining momentum as governments increasingly view energy, defence, AI infrastructure, and supply chains as strategic priorities. While the overall trend is strong, recent policy shifts have added uncertainty. The Biden administration backed capex – especially for the energy transition and semiconductors – via direct incentives under the IRA and CHIPS Act. In contrast, Trump has scaled these back, favouring tariffs, deregulation, and selective direct investments, including stakes in Intel and MP Materials, as well as providing support for shipbuilding. His "One Big Beautiful Bill" aims to boost capex by enabling immediate depreciation, with the goal of improving cash flow and lowering investment risk for large projects. Despite these hoped-for supports, U.S. manufacturing construction spending has leveled off, including in areas that had previously been prioritized under Biden **(Chart 28)**.

Chart 28: U.S. Manufacturing Construction has Levelled Off

SAAR, US$ bn; Source: Census Bureau



Outside the U.S., concerns around defence, energy and supply chain security are supporting public capital spending. While competition with China's state-led model remains a factor, American allies such as Canada and Europe are also seeking greater self-sufficiency and diversification away from the U.S. Canadian Prime Minister Carney is fast-tracking strategic infrastructure and energy 'nation building' projects, supported by a budgeting framework that provides more leeway for capex-related deficits. Similarly, Germany has exempted defence and its new €500 million infrastructure fund from its debt brake, signalling a major fiscal shift.

Private AI capex has also surged (Chart 29), with AI-related asset valuations rebounding quickly from the DeepSeek 'scare' and Liberation Day tariffs in early 2025 **(Chart 30)**. Policymakers and companies view AI as critical to future competitiveness, fuelling continued investment. The associated rising data and electricity demands are driving upgrades to power grids and energy infrastructure. Related strategic activity remains strong, with U.S. manufacturing construction led by semiconductor fabs, AI server capacity, and specialised equipment like EV battery systems and power inverters. These developments suggest the capital investment boom has **steady** momentum.

Chart 29: Mag-7 Capex on the Rise

Capital Expenditures; Source: Bloomberg

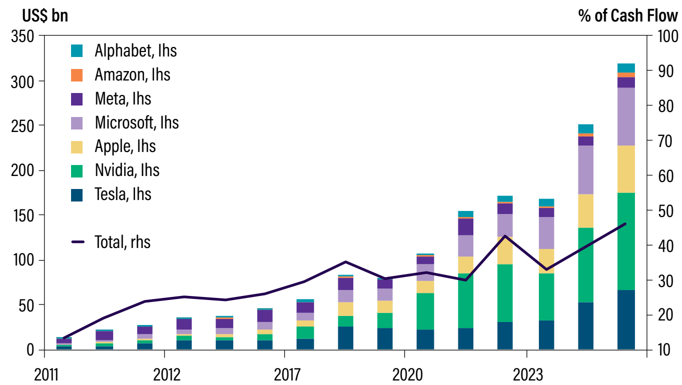
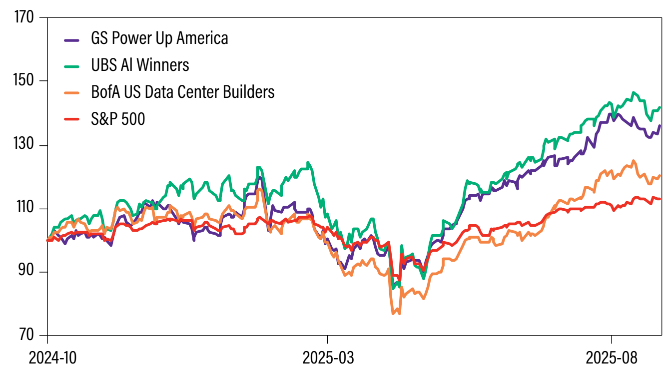


Chart 30: AI Baskets Rebounded Quickly

Rebased to October 2024 = 100; Source: Bloomberg



ACTIONS INVESTORS CAN TAKE

- **Invest in core infrastructure supporting the energy transition** (e.g., grid upgrades), disruptive technologies such as AI (e.g., data centers, fibre optic networks), and related sectors (e.g., minerals).
- **Explore opportunities tied to domestic capacity building,** including via firms in directly impacted areas (e.g., construction and engineering services, industrials, defence, etc.), and countries that have laid out nation-building plans (e.g., Canada).
- **Gain exposure to multi-family residential real estate**, consistent with low vacancy rates and limited new supply post-GFC.

GROWING ROLE FOR/COMPLEXITY OF PRIVATE INVESTMENTS

Private markets are playing a growing role in institutional investors' portfolios. In addition to presenting opportunities via longer-term value creation, they can also provide closer alignment with underlying assets and reduced sensitivity to short-term market swings. These features may appeal to investors looking to diversify their exposures as they adjust to an environment characterized by potentially higher costs of capital.

HOW WE MONITOR THIS INVESTMENT IMPLICATION

- **Activity and performance of private markets:** Global fundraising fell as investors grew more selective, concentrating capital in fewer, larger funds.[11] Deal volume declined amid valuation uncertainty and tighter financing conditions, though infrastructure and secondaries showed resilience.[12] Private equity returns moderated, alongside slower exit activity and valuation pressures.[13]
- **Growth of and participation in private markets:** Private market AUM expanded, outpacing public markets' and growing their share of global investable assets.[14] Pension and SWFs dominated, while wealthy individuals and retail investors grew exposure via semi-liquid and feeder fund platforms.[15]
- **External macro drivers:** Despite new U.S. deregulatory efforts, banks remain cautious while private credit grows. Broader macro forces like energy transition policy, emerging market privatizations, and persistent rate volatility are creating new opportunities and uneven risks across private markets.

Recent Developments and Momentum

STEADY

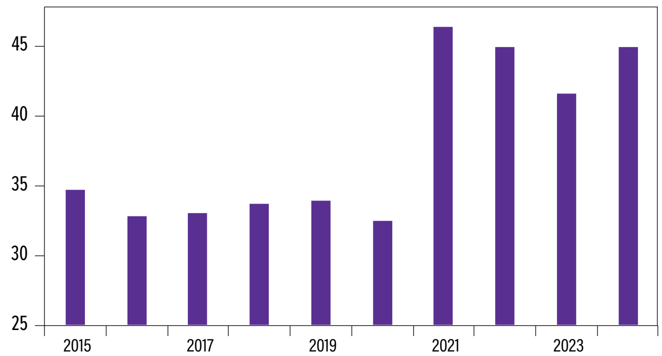
Private markets continue their secular rise in global institutional portfolios, yet short-term prospects differ across the four principal segments: private equity, private credit, infrastructure, and real estate. While the Trump administration's pro-business agenda – including deregulation and tax reform – initially appeared favourable for private equity, the reality has been more complex. **Trade tensions and erratic policy shifts have dented investor confidence, contributing to a sluggish, uneven recovery in private market activity.**

Global M&A volumes remain below 2021 highs **(Chart 31)**, with persistent valuation gaps, financing costs, and uncertain exit timing contributing to longer holding periods and a growing pipeline of unrealized assets across private equity portfolios. Still, momentum is recovering in some segments. Platform add-ons and sector consolidations, particularly in healthcare services, tech infrastructure, and energy transition, are gaining traction. Investors with operational expertise and flexible capital are re-engaging as pricing expectations adjust and fundamentals reassert themselves as primary drivers of deal flow.

11 Private Equity International. *PE fundraising sees weakest first half since pandemic. July 2025.*
12 McKinsey & Company. *Global Private Markets Report 2025: Braced for shifting weather.* March 2025.
13 Vanguard. *2025 Private Equity Market Outlook.* July 2025.
14 McKinsey & Company, *Global Private Markets Report 2025*, March 2025.
15 Preqin, *2025 Global Private Capital Report*, July 2025.

Chart 31: Global M&A Activity Has Steadied

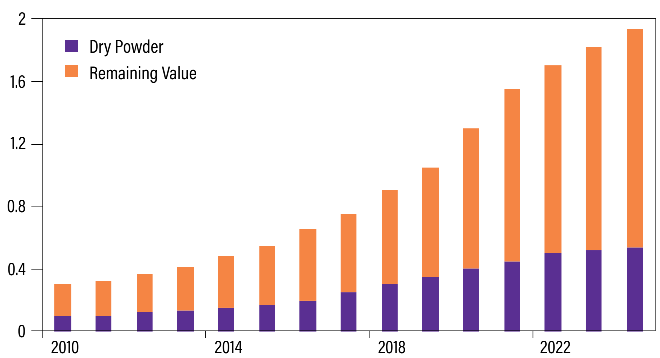
Global M&A Deal Count (000); Source: Pitchbook



Private credit continues to outpace other private asset classes (Chart 32), supported by attractive risk-adjusted returns in the higher-rate environment and strong demand for non-bank lending. Several multibillion-dollar funds closed in North America and Europe, with increasing participation from insurers, endowments, and SWFs - reinforcing private credit's growing structural role in global financing.

Chart 32: Private Debt AUM Continues to Grow

Private Debt Funds AUM (US$ tn); Source: Preqin



Infrastructure remains a focus, especially where public policy aligns with private capital in areas such as clean energy, power transmission, and digital infrastructure. In contrast, real estate is still adjusting to post-pandemic shifts: office and urban retail remain challenged, while logistics, data centers, and multi-family housing attract interest due to structural demand and repriced entry points.

Investor participation is broadening through the "democratization" of private assets[16], enabled by advancements in fund design and digital infrastructure. High-net-worth individuals are seeing expanded access through semi-liquid vehicles, streamlined onboarding and tokenized models. U.S. policy proposals to revise investor eligibility criteria and SEC backing for blockchain-based fund distribution have reinforced this shift – particularly in private equity and credit markets.

Despite deceleration in some areas, private markets continue to attract capital, underpinned by long-term structural drivers and further expansion potential. Thus, we believe this implication has **steady** momentum.

ACTIONS INVESTORS CAN TAKE

- **Limit portfolio allocations to each of the various strategies/segments** within the privates space to improve diversification.
- **Prioritize sectors with clear, positive secular drivers** and limited sensitivity to macro cycles.
- **Deepen key manager partnerships and internal capabilities** re: co-investments, thematics.
- **Identify opportunities where public policy and private capital intersect.**
- **Focus on operational improvement** as a driver of returns.
- **Diversify** across liquidity profiles, balancing evergreen funds with traditional drawdown structures.
- **Emphasize shorter duration, higher turnover exposures** to improve liquidity.

16 Balloch, Cynthia and Mainardi, Federico and Oh, Sangmin and Vokata, Petra, *Democratizing Private Markets: Private Equity Performance of Individual Investors* (June 25, 2025). Fisher College of Business Working Paper No. 2025-03-17, Charles A. Working Paper No. 2025-17, Columbia Business School Research Paper No. 5319498, Available at SSRN: https://ssrn.com/abstract=5319498

GROWING SCOPE FOR UNINTENDED EXPOSURES

The growing popularity of passive investing can foster value-agnostic distortions and market concentration. Moreover, shifting social and strategic priorities – consistent with our World View Themes – are driving policy intervention and geopolitical instability. U.S. policy has been especially volatile, with abrupt changes around healthcare, clean energy, tariffs, foreign investment and strategic alliances. This raises 'stroke of the pen' risks for companies, sectors and countries facing sudden shifts in operating conditions.

HOW WE MONITOR THIS INVESTMENT IMPLICATION

The unexpected aspects of this Implication resist easy quantification. Still, we gauge the potential for such exposures by monitoring social, policy, regulatory and geopolitical developments. This is complemented by tracking more measurable concentration risks. The three main monitoring areas are:

- **Market structure and concentration:** ETFs are seeing record inflows, while the Mag 7's weight in the S&P 500 has hovered around its highs. U.S. stocks – despite under-performance following Trump's inauguration – now account for around 70 per cent of the MSCI World Index after a decade of relative gains.
- **Non-financial investment considerations:** U.S. healthcare and clean energy policy has shifted dramatically since Trump's election, stoking investor uncertainty. Concerns around the rule of law and stability of U.S. institutions have contributed to a weaker business environment (per the Economist Intelligence Unit).
- **Geopolitical investment considerations:** The global economic policy uncertainty index reached new highs in April 2025, after Trump's tariffs announcement. Though Section 899 of Trump's bill was dropped, its proposed taxes on foreign investors added to market anxiety.

Recent Developments and Momentum

ACCELERATING

Passive strategies and their impact continue to grow, with their AUM gaining further relative to actively managed funds' **(Chart 33)**. ETFs, which are often used in passive strategies, saw record net inflows in 2024 **(Chart 34)**, partly reflecting generational shifts – aging retirees drawing down financial savings while younger generations act on their strong preference for ETFs. Passive strategies are often based on market capitalization-weighted indices, which can misalign with individual investors' goals and values. By assigning higher weights to the relatively "expensive" names, these market cap-based rules can amplify concentration risks. These risks are intensifying as U.S. companies – tech ones in particular – outperform and account for a growing share of global indices. This erodes diversification and heightens exposure to a narrow set of companies, countries, and risk factors. Private markets also face rising concentration and contagion risks, which could intensify if retail access expands.

Chart 33: Passive Funds' AUM Exceed Active Funds'

AUM as a % of All ETFs & Mutual Funds; Source: Bloomberg

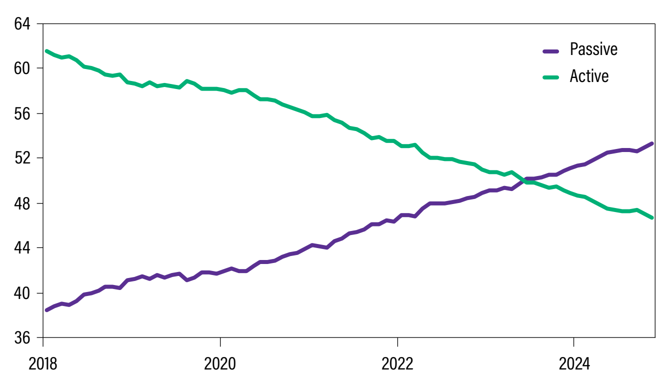


Chart 34: ETF Flows Hit Record Highs

Full-Year Global Net Inflows (US$ tn); Source: Bloomberg

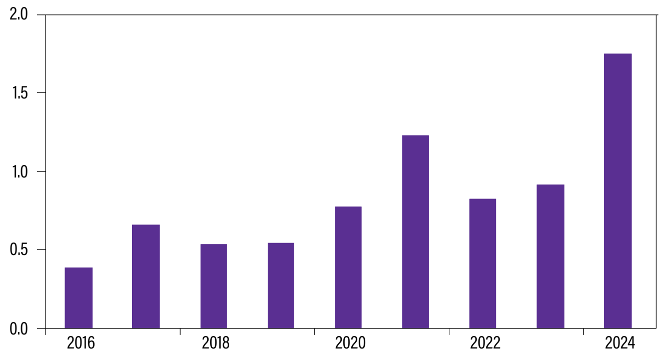
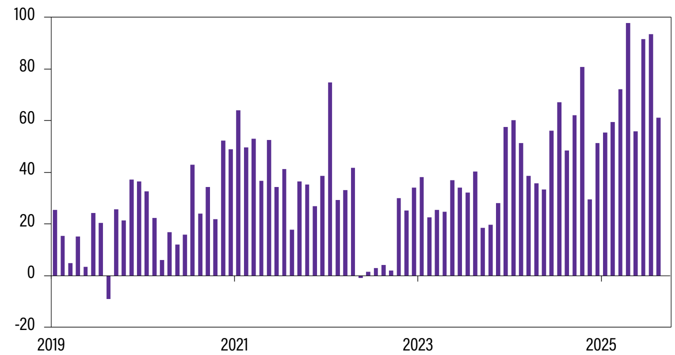


Chart 35: Robust Demand for Non U.S.-Exposed Funds

Monthly Net Flows to Global ex-U.S. Equity Funds (US$ bn); Source: Bloomberg



U.S. policy developments are contributing to increased risk of unintended exposures, particularly in sectors targeted by the Trump administration. For example, healthcare faces challenges from Medicaid's rollback, while clean energy and semiconductor projects face revised economics as IRA and CHIPS Act supports fall into doubt. More generally, questions around U.S. institutions and the rule of law (e.g., threats to Fed independence, executive vs. judicial powers, etc.) add to the scope for unexpected and potentially significant changes in the investment backdrop.

Foreign trading partners and investors are also navigating changing 'rules of the game'. Trump's tariffs have upended trade agreements, while foreign investors have moved into U.S. policymakers' line of sight. Although Section 899 of the budget bill was ultimately removed, the fact that such a measure was even being considered suggests that foreign-held assets could be at risk of being used as leverage in negotiations. Consistent with growing opacity, investors have increased their exposure to non-U.S. stocks **(Chart 35)**. Overall, recent developments across our three monitoring areas point to an **acceleration** of this theme.

ACTIONS INVESTORS CAN TAKE

Unintended exposures often result from unforeseen developments, making targeted planning difficult. However, broad strategies and processes can help mitigate these risks. For example, investors can:

- **Use custom indices** to gain broad-based liquid exposure that aligns with investors' beliefs, while also potentially limiting undue concentration risks.
- **Complement passive exposure with active strategies** that selectively allocate capital.
- **Ensure that external partners comply with internal priorities** e.g., sustainability.
- **Dampen country risk via active management** (re: assets, currency), and capping country weights.
- **Identify "stranded asset" candidates** due to policy, obsolescence, social choice or investor beliefs.
- **Reduce business risks by conducting due diligence** on up- and downstream vulnerabilities.

THE NEED FOR INNOVATION AND FLEXIBILITY

The past year has shown how rapidly-changing policies and rising geopolitical tensions can challenge long-standing assumptions. For investors, the weakening of traditional market relationships, such as the USD's performance alongside rising yields, underscores the need for flexibility. Building resilience now means diversifying across a broader set of assets, maintaining liquidity, and actively re-evaluating assumptions, while staying agile to capture opportunities in a fluid economic and market environment.

HOW WE MONITOR THIS INVESTMENT IMPLICATION

- **Financial market/economic uncertainty:** The second Trump administration has introduced unprecedented policy uncertainty, especially in trade, where U.S. tariffs on partners have swung between 10 per cent and 30 per cent in a matter of months. Regulatory uncertainty spans multiple agencies including the EPA, Fed, SEC, Treasury, and Defense. This has prompted dramatic responses globally, such as Germany's fiscal loosening and rearmament and Canada's planned rise in military spending.
- **Policy/ "stroke-of-the-pen" uncertainty:** The sharp reversal from Biden to Trump on major economic initiatives, particularly in green energy, illustrates how quickly policy direction can change. Large regulatory, fiscal, and judicial shifts remain an ongoing source of uncertainty and risk for investors.
- **Non-economic uncertainty:** Rapidly evolving risks, from conflict in the Middle East to record wildfires in North America and Europe, to a resurgence of avian flu, remind investors of the need to remain agile and responsive to evolving conditions.

Recent Developments and Momentum

ACCELERATING

The past year has highlighted the need for investors to stay agile amid growing global instability. Rapid shifts in U.S. tariff policy **(Chart 36)** have reshaped the investment landscape, fuelling a generational surge in economic policy uncertainty **(Chart 37)**, while amplifying volatility across currencies, equities, and commodities. This has tested assumptions around market relationships, including traditional hedges.

Chart 36: U.S. Tariffs Are Oscillating Wildly

U.S. Effective Tariff Rate (%);
Source: Yale Budget Lab; Tax Foundation

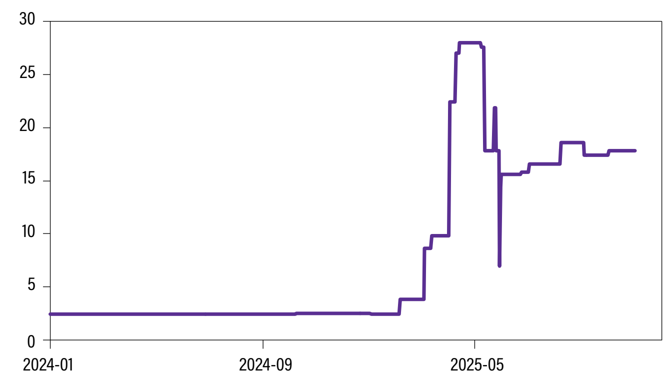
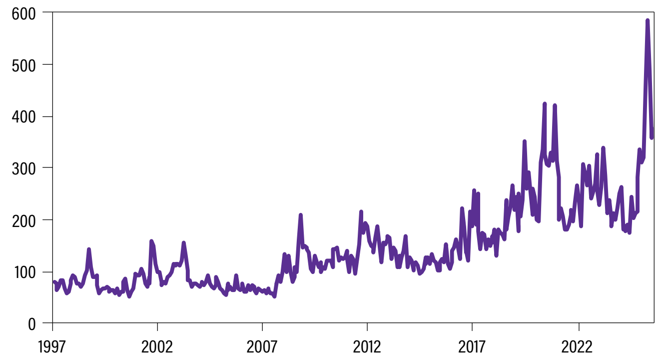


Chart 37: A Secular Rise In Policy Uncertainty

Global Economic Policy Uncertainty Index
(PPP-Adjusted GDP-Weighted Average); Source: Bloomberg



A static approach risks falling behind in the face of rising market concentration, diverging national economic paths, escalating geopolitical tensions, and intensifying trade disputes. **Today's environment demands an active, innovative framework – one that continuously reassesses economic, market, and return expectations and embeds humility and flexibility when investing.** Agility and flexibility are now central to effectively managing risks and capitalizing on opportunities.

This dynamic is reflected in the weakening reliability of the U.S. dollar as a safe-haven asset. Its hedging role in multi-asset portfolios diminished in the early days of Trump's second term, raising questions about its longer-term reliability and prompting some investors to explore alternative safe-havens and diversifiers. Overall, recent developments across our three monitoring areas point to an **acceleration** of this theme.

ACTIONS INVESTORS CAN TAKE

- **Maintain ample liquidity** to manage through volatility and respond to opportunities it may present.
- **Consider alternatives to the USD** as a safe-haven and diversifier e.g., gold.
- **Identify structural themes** such as energy transition, digitalization, or demographic shifts to participate in long-term returns resilient to cyclical volatility.
- **Adopt a research-driven process**, regularly reviewing capital market assumptions and testing them against portfolio objectives and risk tolerances as macroeconomic and political conditions change.
- **Stay humble and adaptive**, adjusting expectations and positioning when warranted.
- **Consider under-owned or non-traditional markets** to expand the opportunity set.
- **Balance portfolio resilience with the pursuit of sufficient returns** e.g., via innovation and flexibility.

Conclusion

Over the past year, the global economic architecture faced major disruption. Shifts in trade policy, surging defence spending amid weakened U.S. security guarantees, fragmenting global supply chains, and increasingly politicized central banking have all added to a more volatile and complex investment landscape. For long-term investors, these developments highlight the need for a framework that is both comprehensive and adaptable.

In response to the pace of change following Trump's re-election, this *Update* adopts a more focused approach. Rather than evaluating each Theme and Implication individually, we grouped those most directly affected by the administration's policies, particularly around global trade and financial flows, into a unified analysis. This 'deep dive' approach explores not only Trump's recent actions, but also the macroeconomic imbalances and structural backdrop against which they are unfolding, while remaining anchored in the World View framework. Meanwhile, assessments of the remaining Themes and Implications reminded us that within long-term cycles, variation can be sizable from one year to the next.

As global transformation accelerates in 2026 and beyond, volatility and uncertainty will persist. The challenge for long-term investors is not reacting to short-term momentum swings, but understanding how these gyrations are reshaping structural trajectories. In this environment, the World View can serve as a helpful tool – one that supports IMCO's efforts to build resilient portfolios in an ever-evolving world.