

Message from the Investment Manager



Equity Bull Market Set to Extend into 2026

We step into 2026 with high confidence in the longevity of the equity bull market, fueled by a robust surge of liquidity finding its way into risk assets. At the same time, geopolitical volatility remains a primary driver of market uncertainty, with focus shifting from trade wars to resource sovereignty and regional instability.

In the U.S., December jobs data showed mixed signals: unemployment edged down to 4.4% but Non-Farm Payroll(NFP) growth slowed to 50K. Wages rose 3.8% year-on-year, though shorter hours pulled the weekly payrolls index to 4.3%. Headline inflation remained steady at 2.7%, with softer-than-expected core CPI signaling gradually abating underlying price pressure, supporting the case for potential Federal Reserve rate cuts later in 2026. U.S. GDP growth remained robust, with 3Q25 rising at an annualized rate of 4.3%, prompting upward revisions to 2026 growth forecasts, supported by tax cuts, real wage gains, and rising wealth, alongside moderating inflation under accommodative monetary policy.

December Eurozone PMI remained in expansionary territory at 51.5, underpinned by services, though manufacturing PMI slipped into contraction zone at 48.8 dragged down by Germany's weakest reading since Feb 2025. The ECB revised eurozone GDP growth forecast for 2026 to 1.2%, while Germany anticipates a 0.6% expansion. On the monetary front, the European Central Bank considers the rate-cutting cycle likely complete, with Eurozone CPI moderating to 2.0% year-on-year, in line with market estimates.

In Japan, headline wage growth slowed to 0.5% year-on-year, primarily due to a decline in special cash earnings, reflecting winter bonus timing and the exceptionally strong level recorded in November last year. The Bank of Japan raised the key rate to 0.75% from 0.5% in December, driving 10-year Japanese Global Bond yield to its highest since 1999. Looking ahead, the Bank of Japan is poised to raise its 2026 economic growth projection while keeping the benchmark interest rate steady, reflecting the expected boost from Prime Minister Takaichi's JPY20 trillion economic package ratified by parliament last month.

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In China, exports rose 6.6% year-over-year in USD terms, beating estimates despite a 20% decline in exports to the U.S.. Major international organizations raised their 2025 economic growth forecasts for China, highlighting economic resilience. The People's Bank of China pledged to maintain a moderately accommodative monetary policy in 2026, keeping financing costs low while focusing on domestic demand expansion as the key GDP driver under the 15th Five-Year Plan toward a consumption-led economic model. China's economy shows a "two-speed" divergence, with AI, automation, semiconductor supply chains emerging as new engines of high-quality modernization that will remain favored.

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