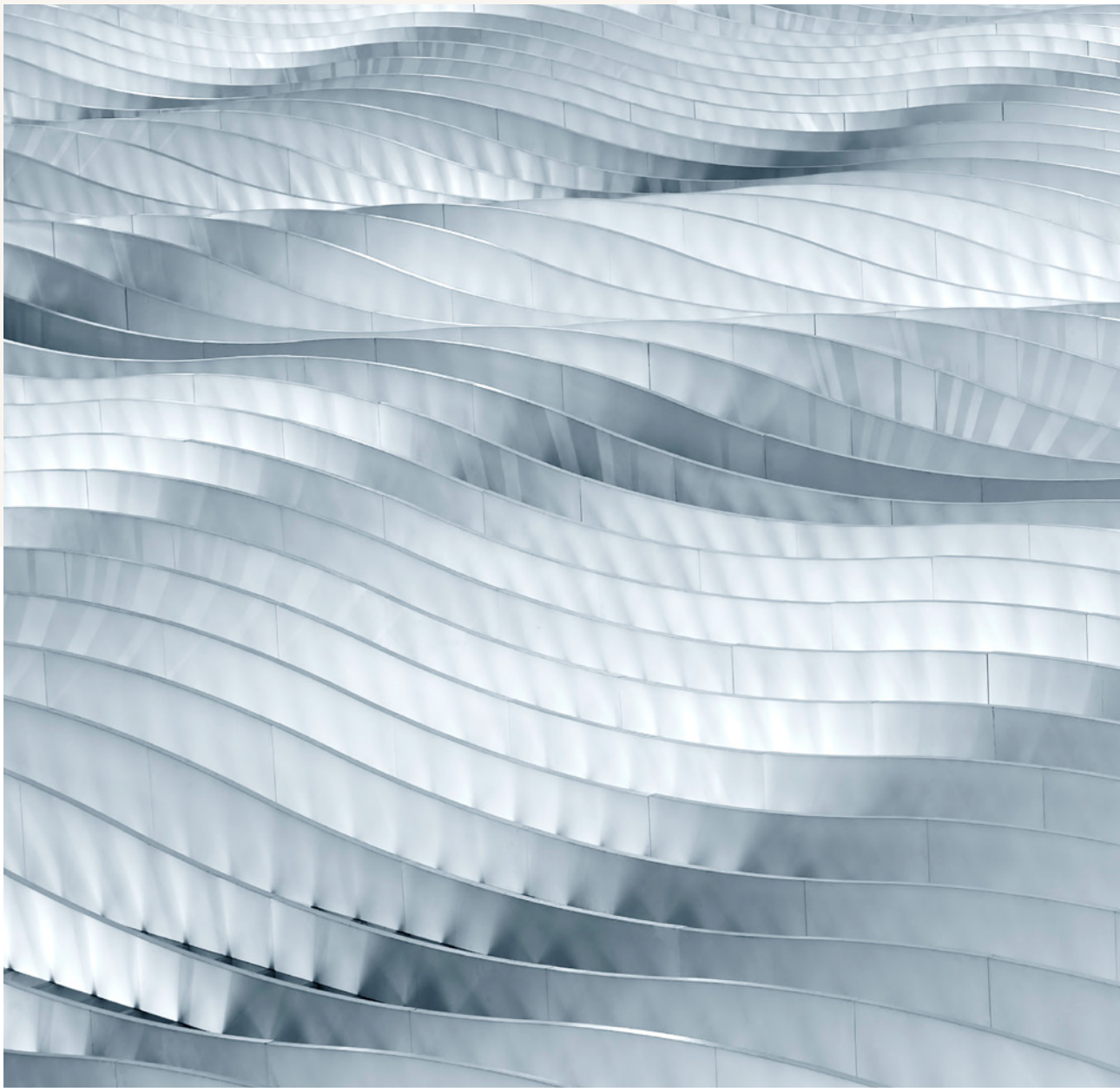
Overview
Outlook - Winter



1st Quarter 2026

1833
BANCO
CARREGOSA

Editorial

By the Chief Investment Officer

The year 2026 begins amid a rare sense of continuity, despite the world being in the midst of rapid change. The global economy is in a delicate state of equilibrium, sustained by more predictable monetary policies, resilient consumption and strong investment in technology. However, this balance remains unstable. Geopolitical risks, trade tensions, energy challenges and historically high levels of market concentration mean that investors must take a disciplined, diversified approach based on quality.

2026: a time for continuity, complexity and real opportunities

We are entering 2026 after a surprisingly stable year, despite the succession of risks that have affected global sentiment. Economic growth has remained close to its potential, inflation has returned to levels that are consistent with the objectives of central banks in most developed economies, and financial markets have demonstrated remarkable resilience. Fears of a recession did not materialise, and the 'soft landing' scenario in the US – a subject that has been analysed repeatedly, but always met with scepticism – ultimately prevailed.

However, the stability of 2025 was achieved through the delicate interplay of opposing forces. It is precisely this fragility that will define the framework for 2026. A favourable backdrop is created by fiscal stimulus in major economies, the gradual normalisation of monetary policy and the ongoing investment cycle in artificial intelligence. However, these trends also present clear challenges, including high levels of public debt, an increasing need for financing, the risk of trade fragmentation, and structural pressures in the global energy market.

Demanding valuations in the stock markets at the start of the year are strongly influenced by a small group of companies that have benefited from the AI revolution. Although growth in results continues to justify this trend to some extent, concentration remains a relevant risk. The next phase of the cycle will require greater discrimination, favouring companies that can demonstrate tangible value creation, balance sheet strength and the ability to navigate complex technological transitions.

Investing in quality will be crucial in order to achieve pricing power, protect margins and generate consistent cash flow.

In terms of bonds, 2026 is shaping up to be one of the most promising periods in recent years. The stabilisation of inflation and the predictability of interest rates mean that bonds can be placed at the heart of portfolios once again. The intermediate duration of bonds, particularly European sovereign debt, strikes a desirable balance between protection and yield. Investment grade credit remains attractive. However, high-yield credit requires greater selectivity, with a clear preference for high-quality issuers and shorter maturities.

Geographically speaking, we maintain a balanced stance. The US continues to lead in terms of innovation and execution, but the current valuations recommend caution. Europe offers good value for money, thanks to the gradual recovery of domestic demand and more moderate multiples. Emerging markets present significant opportunities, particularly in local debt, given the structurally weaker dollar and attractive real rates.



Mário Carvalho Fernandes

Position

Classes	Subclasses	— —	—	Neutral	+	+ +
Liquidity	Sight deposits, Term Deposits					
Bonds	*Investment Grade* Europe					
	Investment Grade USA (EURHdg)					
	High Yield Global (EURHdg)					
	Global Emerging (EURHdg)					
Shares	Europe formerly UK					
	USA (EURHdg)					
	United Kingdom (EUR)					
	Emerging (EUR)					
Other	Gold, REITS, Infrastructures, etc.					

Macroeconomic Analysis

In December, the European Central Bank (ECB) revised its economic outlook for the eurozone in 2026 upwards, with GDP growth projected at 1.2%. This suggests a recovery, particularly in the German economy, while inflation is expected to gradually converge towards the 2% target.



The German economy recorded two consecutive years of recession in 2023 and 2024. Since the Second World War, only the collapse of technology companies in the early 2000s had resulted in a similar period. This reflects the structural weaknesses of a model that is heavily dependent on industry and exports. However, despite the difficulties in 2025, data released by Destatis on 15 January suggests that Germany managed to avoid a new recession last year, achieving growth of 0.2%.

This improvement was primarily driven by household consumption and an increase in public spending, largely thanks to the fiscal stimulus introduced by the German government. Disappointingly, investment continued to fall, particularly in machinery and equipment. Exports also declined for the third consecutive year, due to US tariffs, the appreciation of the euro and competition from China. The outlook for 2026 remains guarded, with the Bundesbank estimating growth of around 0.6%, indicating a gradual recovery following an extended period of stagnation.

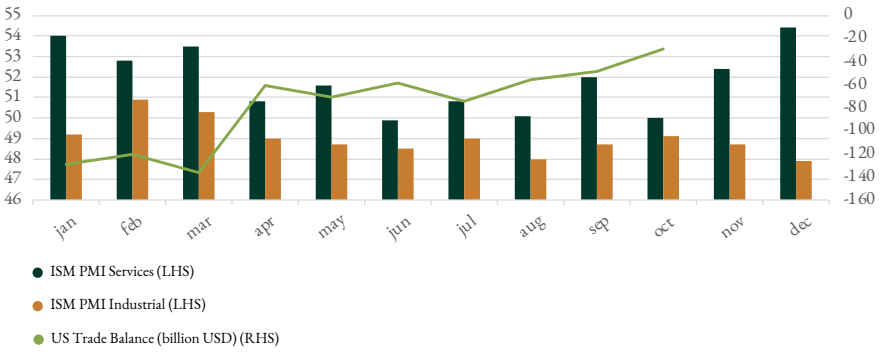
The ongoing fragility of the German economy, coupled with budgetary and political tensions in France, is weakening the Franco-German alliance – a key foundation of European economic integration. This fragility is not conducive to the cohesion of the eurozone. However, it does increase the likelihood of the ECB adopting a less restrictive monetary policy in the context of slowing inflation and weak structural economic growth.

The US economy remains resilient, as evidenced by the Atlanta Federal Reserve's GDPNow model, which currently estimates GDP growth of 5.3% in Q4 of 2025, following growth of 4.3% in Q3 and 3.8% in Q2. Although applications for unemployment benefits remain at historically low levels, there are signs of greater caution on the part of companies when it comes to hiring. This is evidenced by the decrease in job vacancies measured by the Job Openings and Labour Turnover Survey (JOLTS). Therefore, the fragility of the labour market is mainly due to a slowdown in new hires rather than an increase in redundancies. This decline may be partially offset by the growing adoption of artificial intelligence in certain labour market segments, which helps to explain the robustness of US economic growth, which is also driven by budget deficits.

In response to the lower job availability forecast for 2025, the US Federal Reserve (Fed) cut interest rates by 0.25 percentage points in December, bringing them down to a range of 3.50% to 3.75%. Despite underlying inflation (Core PCE) remaining above 2.5%, the Fed has indicated that it will only cut interest rates once in 2026. This reinforces its data-dependent approach, but the market is still anticipating two cuts. In its macroeconomic projections for 2026, the Fed anticipates economic growth of 2.3% and a fall in inflation to 2.4%, which is consistent with the scenario of a soft landing for the US economy.

According to IMF figures on 10 December, the Chinese economy is expected to grow by 5% in 2025. This growth will be supported by public investment, exports and targeted stimulus measures, despite persistent weaknesses in the property sector and domestic demand. Inflation remains close to zero, reflecting weak demand and the occasional risk of deflation. The outlook for 2026 points to a gradual slowdown in growth, with estimates of around 4.5%, is in line with the strategy outlined by the Chinese Central Committee. This strategy favours more balanced and sustainable growth. Economic policy should continue to support strategic sectors, such as technology and advanced industries. At the same time, inflation should be kept low and under control, in line with the goal of achieving macroeconomic stability.

USA: Business activity and trade balance (in 2025)



Source: Bloomberg/Banco Carregosa

Recent developments in the US economy have revealed a growing disparity between the services and industrial sectors. In December, the ISM Services Index rose to 54.4 points, the highest level since October 2024. This indicates an increase in sector activity and employment, driven primarily by domestic demand for services. However, the industrial sector continued to contract in December, marking the tenth consecutive month of decline. The manufacturing ISM fell to 47.9 points, marking the lowest level since October 2024. The fall in new orders, slowdown in production and weakening of industrial employment all reflect the impact of tariffs, rising production costs and weak demand for goods.

The reduction in the US trade deficit in 2025 was mainly due to a fall in imports of goods. This was because tariffs made imported products more expensive, prompting companies to adjust their orders and postpone foreign purchases. This reduction was not the result of a significant increase in exports.

The slowdown in domestic demand for goods, particularly durable goods and equipment, aligns with the contraction in the ISM's industrial sector. In December, the value of imports fell by 5.9%, including a 21.8% drop in imports from China.

Outlook for Bonds

Following the biggest wave of monetary easing since the 2008 financial crisis, with more than 40 central banks cutting rates, the bond market enters a new phase in 2026. Although Japan and Brazil followed different paths by raising their rates counter-cyclically, the global consensus now points to a phase of equilibrium.

The focus for 2026 is no longer on 'how far rates will fall', but on how to generate yield through careful and disciplined asset selection.

In the eurozone, inflation has reached levels that are consistent with the targets of the central banks, so managing the risk of a technical recession is now the main concern. This framework makes monetary policy more predictable, meaning that 2026 should be a largely inactive year for the ECB. Therefore, a significant proportion of the return should be generated through coupons, which are currently higher than in previous periods.

Maintaining interest rates at around 2% could support the European business community, particularly in Germany, where sensitivity to financing costs is high. In terms of risk, we would highlight the possibility of political fragmentation. If this intensifies, it will have a direct impact on spreads, which are already quite tight. Italy could continue to benefit from a convergence path if it maintains its current pace. In October, the rating agencies reinforced this perception by revising their assessment.

The US saw the yield curve return to normal, moving away from the reversal that had previously been seen as a typical sign of a recession. Although it is likely to happen in June, the Fed's next move should be a rate cut.

Meanwhile, investors are beginning to focus more on structural risks, particularly the high deficit in the US economy, which is more evident in long-term bonds, where the yields on 10- and 30-year bonds are higher.

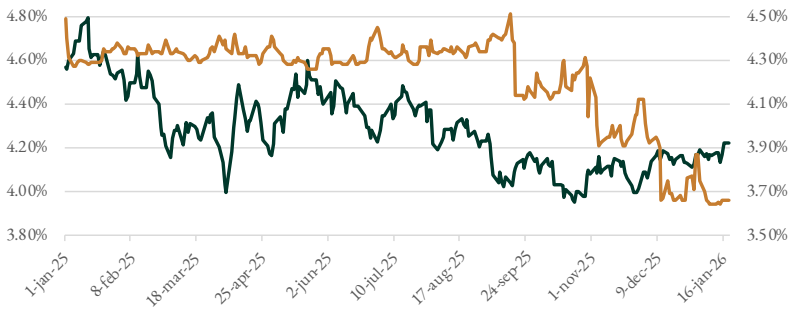
The segment of this curve where we identify the best risk/return ratio is generally between 5 and 7 years. This segment combines attractive yields with lower sensitivity to extreme 'duration' risks.

The Bank of Japan has made significant changes to its framework, relinquishing control of the yield curve and allowing interest rates to rise to between 0.75% and 1%. In the long term, however, the increase was more significant, with debt with a longer maturity already trading above 2%.

The fact that investment grade debt enters 2026 without significant refinancing pressure is a positive factor for the class. In the high yield segment, companies demonstrate greater resilience and stronger balance sheets, which keeps default rates at historically low levels.

In terms of positioning, we favour an intermediate 'duration', as well as quality and selectivity in credit, complemented by exploring opportunities in carefully selected emerging markets. We maintain a positive outlook on subordinated credit. Thanks to its higher coupons, it can contribute to an additional return on portfolios, thereby reinforcing the income component in a year when carry trades tends to be the main source of performance.

USA: Short- and long-term interest rates



Source: Bloomberg/Banco Carregosa

Short-term and long-term interest rates in the US began to diverge from October 2025 onwards. While short-term rates continue to fall in response to the Fed's more accommodating stance as the unemployment rate rises, the yield on the 10-year US sovereign bond has increased by 20 basis points.

The increase in long-term rates does not reflect greater expectations of growth, nor does it indicate greater fear about economic activity. In scenarios of a sharp slowdown, greater demand for sovereign debt would be expected, resulting in a fall in yields. This rise therefore suggests that investors are demanding a higher premium, reflecting growing concerns about US public finances. Despite a slight improvement, the budget deficit was 5.9% in fiscal year 2025, down from 6.3% in 2024. In addition, the need for financing has increased in a context of high volumes of public debt coming to maturity. Thus, the positive slope of the yield curve is accentuated, primarily revealing fiscal risks and an increase in debt supply.

Equity Outlook

The stock markets continued to show an upward trend in the fourth quarter of 2025, with the year ending close to all-time highs. The favourable evolution was primarily driven by robust profits among listed companies, particularly in the US. In Europe, meanwhile, the increase in share prices was largely due to the expansion of valuation multiples.

At the start of 2026, positive sentiment remains strong, as reflected in the consensus that earnings per share will grow by over 10% for the main share indices in both Europe and North America. These projections suggest that the current economic cycle will continue in a near-Goldilocks environment.

Despite fears of an economic slowdown or additional inflationary pressures, which have so far proven unfounded, the duration of this cycle has already exceeded the historical average.

The technology sector continues to play a key role in this positive environment. However, there was greater dispersion of returns among companies linked to artificial intelligence in the last quarter. Alphabet performed strongly, driven by the success of the new version of Gemini and the development of its own semiconductors.

Development in the last 3 months

	30-sep	31-oct	30-nov	31-dec	Last 3 months	Last month (dec)
Equities						
S&P 500	6 688.46	6 822.34	6 849.09	6 845.50	2.35%	-0.05%
Nasdaq 100	24 679.99	25 734.81	25 434.89	25 249.85	2.31%	-0.73%
DAX 40	22 163.49	24 118.89	23 836.79	24 490.41	10.50%	2.74%
Stoxx 600	558.18	574.83	576.43	592.19	6.09%	2.73%
Nikkei 225	35 617.56	51 325.61	50 253.91	50 339.48	41.33%	0.17%
Shanghai Composite	3 882.78	3 279.03	3 888.60	3 968.84	2.22%	2.06%
MSCI World	4 306.70	4 381.34	4 398.44	4 430.38	2.87%	0.73%
MSCI Emerging	1 346.05	1 411.65	1 366.92	1 404.37	4.33%	2.74%
Long-term interest rates						
10-year Treasury Yield	4.15%	4.10%	4.01%	4.17%	1.7 pb	15.4 pb
10-year Bund Yield	2.71%	2.64%	2.69%	2.86%	14.4 pb	16.6 pb
10-year OT Portugal Yield	3.12%	3.01%	3.01%	3.15%	3.3 pb	14.5 pb
Short-term interest rates						
3-month Libor USD	3.98%	3.85%	3.79%	3.65%	-32.5 pb	-13.6 pb
3-month Libor EUR	2.03%	2.05%	2.06%	2.03%	-0.6 pb	-3.4 pb
Exchange						
EUR/USD	1.1734	1.1565	1.1598	1.1746	0.10%	1.28%
EUR/GBP	0.8727	0.8794	0.8764	0.8717	-0.11%	-0.53%
Commodities						
Brent (USD/barrel)	65.14	63.64	61.97	60.85	-6.59%	-1.81%
WTI (USD/barrel)	61.48	59.91	58.29	57.42	-6.60%	-1.49%
Gold(USD/troy ounce)	3858.96	4024.54	4239.43	4319.37	11.93%	1.89%

Fonte: Bloomberg; Banco Carregosa

This contrasts with the underperformance of business models that are still to be proven and are supported by more leveraged balance sheets. The high level of sector concentration in US indices remains a significant risk. Technology already accounts for over 40% of the S&P 500's weighting, meaning that the performance in 2026 will be highly dependent on the development of the AI segment

Aggregate market valuations remain high by historical standards. However, against a backdrop of corporate resilience and an absence of significant shocks, such as the impact of Liberation Day in April, investor behaviour has continued to be influenced by the dominant mantra of recent months: 'buy the dip'. Within this framework, we maintain a balanced allocation strategy, allocating funds between growing themes and more defensive sectors. We reiterate our preference for high-quality companies that are characterised by lower volatility of results, financial solidity, and a strong capacity for generating cash flow.

Outlook for Alternatives

Against a backdrop of more moderate and asymmetric rate cuts across different regions, 2026 sees alternatives emerge as the key drivers of diversification. This dynamic is underpinned by the search for returns less dependent on directional beta (given the level of valuations and political/fiscal uncertainty), and by the financing frictions that raise premiums on private and property loans. The trade-off is that reduced margins of error and growing dispersion require strict discipline when it comes to selection.

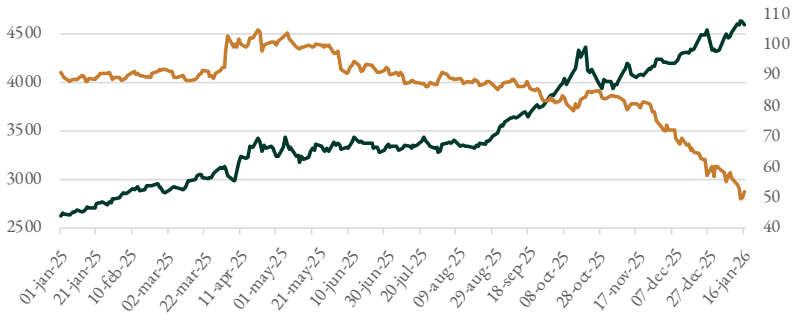
In terms of raw materials, the oil market is caught between geopolitical constraints and fundamental oversupply. Gold continues to play a key role as a diversification tool, supported by central banks. Meanwhile, copper's robust structural fundamentals (electrification and digital infrastructure) have led the ICSG (International Copper Study Group) to project a deficit, favouring low-cost producers or royalty structures.

The recovery of the real estate sector will be gradual, with a preference for last-mile logistics and structural niches. The concentration of maturities in 2026 reopens opportunities in structured senior debt and recapitalisations. Infrastructure offers a combination of cash flow visibility, partial protection against inflation, and exposure to megatrends such as the energy transition and digitalisation. In Europe, critical factors include regulatory quality and execution capacity.

In private equity, the recovery favours creating operational value rather than expanding multiples. The best prospects are in critical software, specialised healthcare and B2B, where there is pricing power. In the hedge fund segment, dispersion favours long/short strategies with a low beta value and a multi-strategy approach, while macro components benefit from divergences in monetary policy.

The concentration of maturities in private debt and the shift towards non-bank financing create favourable conditions for disciplined origination, particularly in Europe. The positioning favours a barbell allocation, combining real assets for defensive cash flow generation with net alpha, while maintaining strict selection criteria.

Gold price (USD/ounce) and gold/silver ratio



Source: Bloomberg/Banco Carregosa

Gold appreciated by around 65% in 2025. Following the invasion of Ukraine in 2022, the West froze Russian assets, which reinforced gold purchases by the Global South, particularly China – the world's second-largest economy – as a way of diversifying and reducing dependence on Western assets, especially the dollar. Geopolitical tensions provide a fertile environment for the world's leading precious metal. Gold's importance as a store of value has been a constant throughout all societies since the dawn of civilisation some six thousand years ago.

The expectation of interest rate cuts by the US Federal Reserve has also boosted demand by reducing the opportunity cost of holding gold.

Silver has also benefited from the contagion effect of gold, as well as from the growing industrial demand associated with the energy transition. After the gold/silver ratio exceeded 100 in April 2025, indicating a significant undervaluation of silver, the subsequent drop to 50 suggests a substantial increase in the value of silver relative to gold, based on historical trends of the past 40 years.

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