

A January to remember: Learnings for EMEA investors

Investment strategy insights

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- Major asset price swings in January highlight the need for EMEA investors to review, rebalance, and diversify portfolios to maintain long-term targets and manage risk.
- We believe the broadening equity rally across regions and sectors underscores the value of global diversification, with opportunities in both structural growth themes and “European Leaders.”
- Volatile currency markets increase the need to align portfolio currencies with future liabilities and diversify.



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January 2026 was a month of extraordinary market moves and shifting narratives, in which many of CIO's Year Ahead predictions came to fruition at pace. Precious metals advanced materially, with gold up nearly 9% year-to-date despite posting a 9% fall and its sharpest one-day loss since 2013 on the last trading day of the month. The US dollar weakened sharply, with the dollar index sliding 1.4% and weakening against every G10 currency. The euro reached a four-and-a-half-year high against the dollar at 1.20. And equity markets also rallied, with the S&P 500 breaking the 7,000 mark for the first time and all major ex-US markets beating the US bar Switzerland. High-quality government and investment grade debt (except Treasuries) posted positive total returns, though Japanese bond yields experienced bouts of volatility.

Against this backdrop, we identify three key observations that may stand out for EMEA investors.

1. Review portfolios, rebalance, and consider diversification. Large market moves in January may have moved portfolios away from target allocations. It may be prudent to rebalance, reducing relative winners, and adding to relative losers, to return to long-term asset allocations. This disciplined approach may help lock in gains, manage risk, and maintain exposure to future

growth. Regular rebalancing is a core part of institutions' professional portfolio management—and an activity self-directed investors can try to copy, especially in volatile environments, to help avoid emotional decision-making and stay focused on long-term goals.

We also believe a diversified, robust core portfolio is the foundation for long-term success. CIO likes allocating 30-70% of assets to equities, with at least half in US stocks and at least 20% global, including Europe and emerging markets. Up to 30% can be dedicated to structural growth themes such as AI, power and resources, and longevity. Fixed income should comprise 15-50% of assets, balanced across government bonds, credit, and private credit, with a five-to seven-year duration and alignment to currency needs. Alternatives—including hedge funds, private markets, and infrastructure—can further enhance diversification and risk-adjusted returns.

2. Expect and prepare for a broader equity rally. Stock market gains have already broadened beyond the US technology sector, with advances across regions and sectors. For EMEA investors, this is a timely reminder to diversify equity exposures—especially as government interventions and geopolitical uncertainty create a wider range of potential market scenarios. While AI and technology

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remain important, CIO likes to look beyond the “enabling layer” (e.g., semiconductors) to the “application layer,” where new winners may emerge. We find value in sectors like US financials, US health care, US consumer discretionary, and US utilities, which are poised to benefit from supportive macro trends and policy agendas. European, Chinese, and Japanese equities offer compelling opportunities, and a global perspective can help capture potential gains while managing region-specific risks. In Europe, we continue to like companies we call “European Leaders” that are positioned to benefit from both global trends—such as artificial intelligence, power and resources, and longevity—and the region’s ambitious structural reforms.

3. Review and rebalance currency allocations. Currency markets have been volatile, with the US dollar under pressure from a mix of political and economic factors. The euro’s strength and the broadening of US dollar weakness into emerging market currencies highlight the importance of strategic currency allocation in our view. EMEA investors may go back to their financial plan and seek to align portfolio currencies with future spending needs and liabilities. Doing this may reduce the risk that currency swings undermine financial goals. Diversifying across major currencies with strong fundamentals—considering valuation trends, safe-haven status, current account balances, and reserve currency roles—can help preserve global purchasing power. With EURUSD now at 1.20, CIO sees risks as balanced and expects consolidation around this level, cautioning against extrapolating further USD weakness against the euro. While tactical ideas exist in select pro-growth currencies, we believe the core focus should remain on strategic alignment and diversification.

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Neutral – We do not expect outsized returns or losses. Hold longer-term exposure.

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Appendix

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