

MARKET GPS

MULTI-ASSET QUARTERLY

Q1 2026

The Janus Henderson Multi-Asset Team applies a “partnership and transparency” approach, providing access to differentiated insights, disciplined investments, and world-class service. This quarterly update shares the team’s views on market dynamics as well as the dashboard that informs their positioning across Janus Henderson’s range of multi-asset models and portfolios.

Marketing communication | Outside of the U.S.: For professionals and qualified investors only | Not for onward distribution
The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.

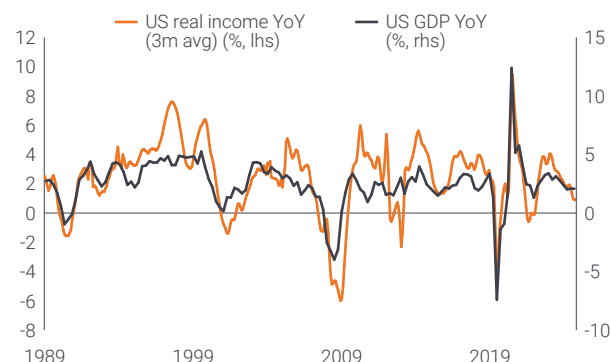
Macro overview

- ▶ The global economy finds itself in an extended economic cycle with sometimes underwhelming data but, for now, a convergence of forces points to a sanguine 2026.
- ▶ The combination of resilient global growth and impending fiscal stimulus bode well for maintaining exposure to risk assets.
- ▶ Slowing growth of U.S. jobs and real income are risks to be monitored as a roll over in either could substantially increase recession risks.

Renewed fiscal stimulus helped drive markets in 2025. That trend should continue in 2026 with the U.S., Germany and Japan all forecast to be stimulative relative to last year, although this raises new concerns regarding debt burdens. An exception is the UK where budgetary concerns set the stage for less stimulative policy. The U.S. services sector remains strong and manufacturing appears to be stabilizing. Strong retail sales could be disrupted if an equities correction hits top-end consumers or a continued weakening in jobs data impacts value shoppers.

U.S. real income and economic growth

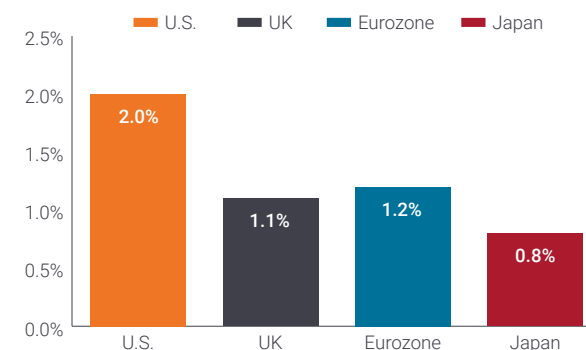
Real income consistently is a key driver of U.S. GDP, and with the current level trading water, any weakness could easily spell trouble for the U.S. economy.



Source: Datastream, Janus Henderson Investors, as of 07 January 2026.

Growth in major global economies

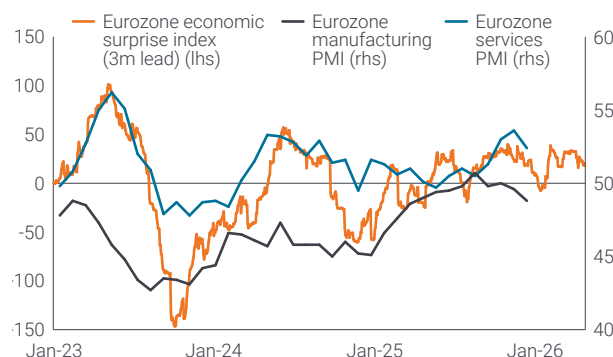
Economic growth estimates continue to indicate resilience, lending credence to remaining largely positive toward riskier assets.



Source: Bloomberg, Janus Henderson Investors, as of 31 December 2025.

Watching for green shoots in the Eurozone

Similar to the U.S., a resilient European services sector remains a key driver. A manufacturing renaissance has yet to emerge but that could change given stimulus.



Source: Bloomberg, Janus Henderson Investors, as of 07 January 2026.



Adam Hetts
Portfolio Manager,
Global Head of
Multi-Asset



Oliver Blackburn
Portfolio Manager,
Multi-Asset

“...the U.S., Germany and Japan are all forecasted to be stimulative relative to last year, although this raises new concerns regarding debt burdens.”

Janus Henderson Multi-Asset Team

Equities

Equities' prospects have modestly improved given global fiscal stimulus, potential for European earnings growth, and continued U.S. consumer strength.

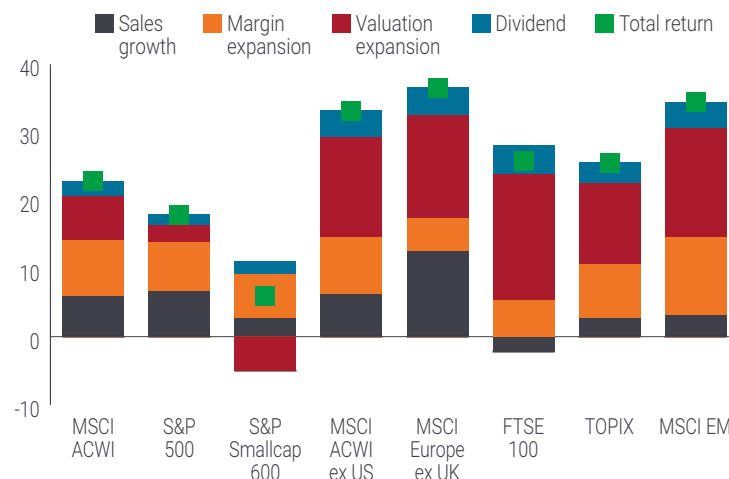
A pause in U.S. rate cuts would be a headwind for small caps which need favorable financing and a cyclical reacceleration to outperform.

Market leadership can be expected from the large caps integral to the artificial intelligence (AI) rollout and companies that can afford to access these platforms.

Economic expansion, powered by fiscal initiatives, potential for continued European recovery, and resilient U.S. consumption bode well for equities. U.S. rate cuts in late 2025 catalyzed small caps but that trend may need a renewed boost by additional cuts. Valuations are demanding, so priority should be placed on quality companies capable of growing earnings. Furthermore, larger companies will likely enjoy AI's productivity gains before small caps. As long as U.S. employment doesn't significantly deteriorate, volatility can be viewed as a buying opportunity.

Contribution to equities total returns in 2025

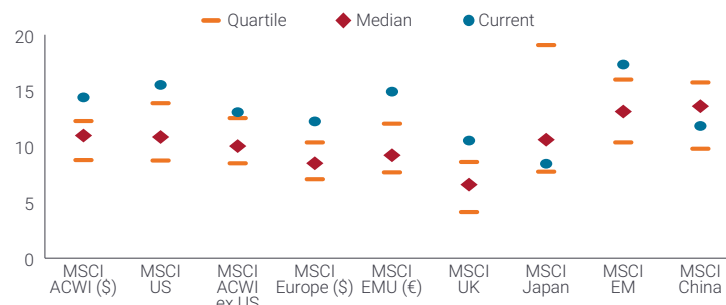
While valuation expansion contributed to 2025 returns across most categories, 2026 returns might depend on the rest of the world following U.S. stocks' earnings growth in the form of both sales growth and margin expansion.



Source: Datastream, Janus Henderson Investors, as of 7 January 2026.

Global earnings trends

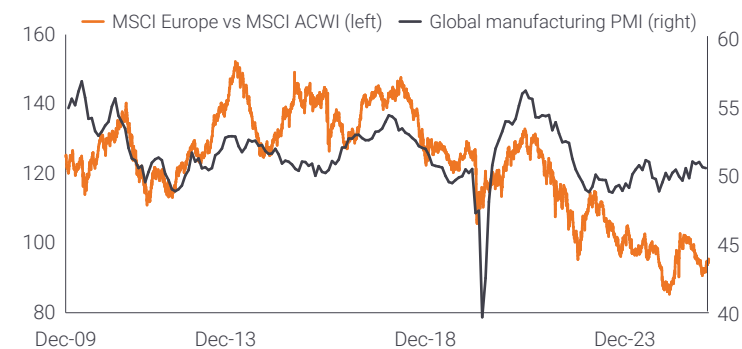
A combination of factors supports bullish earnings growth forecasts, namely the AI buildout – and associated productivity gains – along with fiscal initiatives.



Source: Datastream, Janus Henderson Investors, as of 7 January 2026
Note: 12-month forward consensus growth estimates and 20-year averages.

Reestablishing a fundamental driver for European stocks?

Market-friendly reforms and fiscal stimulus – especially with respect to defense – may provide support for Europe's flagging manufacturing sector, enabling regional stocks to again keep up with global peers.



Source: Bloomberg, Janus Henderson Investors, as of 8 January 2026

“Valuations are demanding, so priority should be placed on quality companies capable of growing earnings.”

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Equities dashboard

-- - = + ++ Views

U.S.						Solid 2026 earnings forecasts amid fiscal and monetary support but stretched valuations and sentiment in the near term
Large Cap Growth						Remains supported by AI-driven earnings strength and fiscal policy tailwinds, though valuations are already very high
Large Cap Value						Support from early signs of a global cyclical pickup and policy mix, though high valuations and earnings already look optimistic
Mid Cap						Offer more reasonable valuations amid signs of a cyclical upswing, but less benefit from AI and borrowing costs still elevated
Small Cap						More attractive valuations but need lower interest rates and unlikely to see the same near-term benefits from AI adoption
Developed ex U.S.						Fiscal support in Europe and Japan, alongside a potential cyclical upswing, although valuations are already high
Europe						Supported by German stimulus, prior ECB cuts and potential cyclical uptick, leaving room for rotation after lagging recently
Europe ex UK						Having lagged the rally elsewhere, German fiscal increase, lower interest rates and any global upswing are supportive
UK						Earnings growth expected to lag other markets but less expensive, if not outright cheap vs history
Japan						Benefits from better domestic demand, fiscal stimulus, and potential global upswing, with yen strength less likely to be a headwind
Emerging Markets (EM)						Seeing strong AI-driven earnings momentum, but high valuations and stretched sentiment leave them vulnerable near term
China						Despite domestic economic slowdown risks, potential further stimulus and strong AI-driven leadership could support the market
EM ex China						Taiwan and South Korea are benefiting from the AI build-out, but recent parabolic gains leave them vulnerable in the near-term

■ Underweight
■ Neutral
■ Overweight

← → Change from last quarter

Fixed Income

Diverging economic trajectories and policy prescriptions should create opportunities for bond investors with a diversified, global mindset.

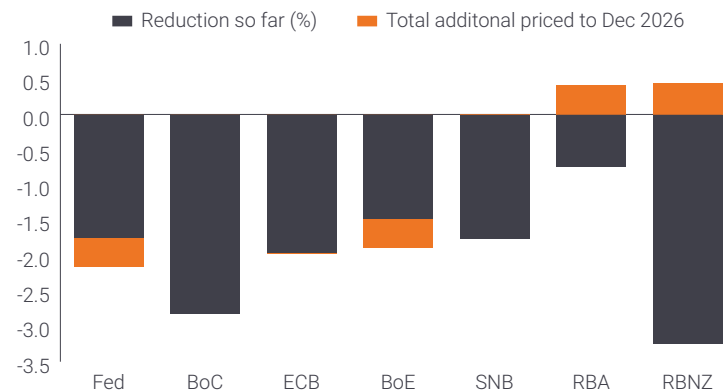
The U.S. may join the eurozone in holding, or at least slowing, cuts in 2026 while deteriorating conditions force the UK to ease policy.

Above-target inflation remains a risk to cuts, especially as a fiscal push could jolt aggregate demand and flood bond markets with incremental supply.

While the prospect of additional U.S. rate cuts puts downward pressure on intermediate bond rates, this might be offset by continued positive growth surprises. The net result is attractive, potentially range-bound yields that serve as a valuable ballast for relatively expensive equity markets. In the UK, a weakening labor market and expectations for inflation to improve sets the stage for the Bank of England to be the most dovish among major central banks. Tight corporate credit spreads likely give outsized influence to corporate bonds' duration component. Accordingly, investors may want to consider higher quality assets and regions with stable or falling inflation.

Globally diverging policy rate trajectories

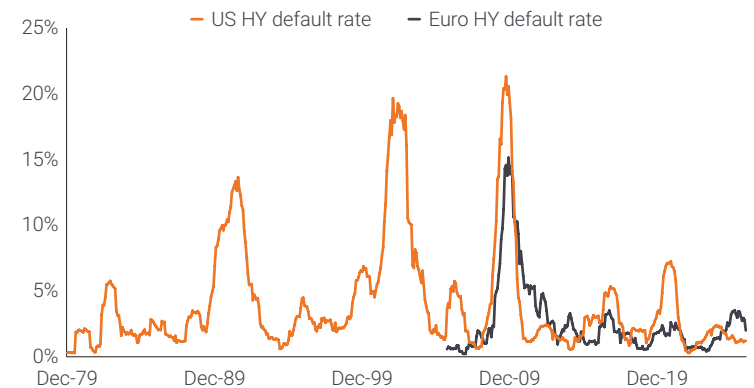
Even if the U.S. follows through on a couple of 25 basis point cuts in 2026, it's largely joining Europe in the "wait-and-see" camp – a stance that the UK, Australia, and New Zealand likely cannot take for various reasons.



Source: Bloomberg, Janus Henderson Investors, as of 7 January 2026

High-yield default rates remain very low

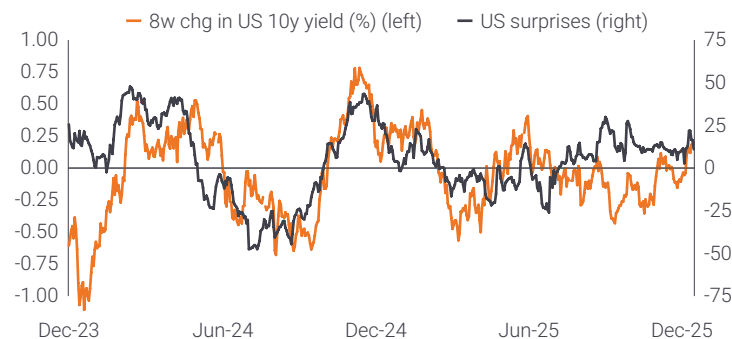
While spreads are tight among high-yield issuers, the combination of low default rates, a continuing economic cycle and a "maturity wall" still a few years out means that investors can harvest yield in well-managed and well-run issuers.



Source: Bank of America, Janus Henderson Investors, as of 8 January 2026

Changes in the 10-year U.S. Treasury yield and economic surprises

U.S. yields might see upward pressure if the trend of U.S. economic exceptionalism continues through 2026.



Source: Bloomberg, Janus Henderson Investors, as of 7 January 2026

“...range-bound yields could serve as a valuable ballast for relatively expensive equity markets.”

Janus Henderson Multi-Asset Team

Fixed income dashboard

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Views

Sovereign bonds						Elevated U.S. recession risk is offset by fiscal stimulus, prior monetary easing, and signs of a potential global re-acceleration
U.S.						Stalling U.S. job growth raises recession risks, though fiscal stimulus and higher debt-issuance pressures may push yields higher
UK			→			A weak UK labour market poses growth risks and sharply easing inflation in 2026 should allow a more dovish BoE stance
Eurozone						With German fiscal stimulus and the ECB suspending easing, European government bonds now have fewer supports
Inflation-linked						Conflicting risks of inflation re-acceleration and recession leave inflation-linked bonds without a clear mispricing to exploit
Investment grade						Very low credit spreads mean that returns are likely to hinge on those of government bonds
U.S.						With spreads at historically low levels, performance is largely tied to US Treasury moves
Euro						Credit spreads are at historically low levels leaving returns more sensitive to a potential move lower in government bonds
High yield						Tight credit spreads mean returns likely in line with yields, with low default rates if the current economic environment persists
U.S.						Spreads remain very tight, leaving little room for valuation gains, although limited refinancing needs should keep defaults low
Euro						Spreads are now very tight, limiting further valuation upside, though prior ECB cuts and German fiscal stimulus are supportive
Securitized						Agency MBS spreads have compressed, but broader securitized spreads offer a potential margin of safety vs. corporates
Hard currency EM debt						Spreads are at decade-long lows, leaving limited valuation upside and increasing sensitivity to moves in developed market government yields
Local currency EM debt			←			With the tailwind of a weakening U.S. dollar less likely to continue, EM currencies look unlikely to keep appreciating as quickly

■ Underweight
■ Neutral
■ Overweight


Change from last quarter

Alternatives and currencies

A big surprise of 2025 was the dramatically weakening Japanese yen, which, given its role as a funding currency, sent repercussions across global financial markets.

Other currencies have the potential to experience similar volatility as policy makers seek to balance high debt, inflation, growth and export competitiveness.

Within alternative assets, private equity enjoyed a recovery as the exit market improved.

The end of Japan's ultra-accommodative policy should have provided a tailwind to a weakened yen. And while that was briefly the case over parts of the past two years, the yen is again seeing new lows. A complicating factor is stimulative fiscal policy at the same time as the Bank of Japan potentially needing to raise rates to combat inflation. The combination portends potential weakness in government bonds but a neutral yen. Elsewhere, private equity is enjoying more favorable exit conditions even in the face of persistently high U.S. rates.

Alternatives

	--	-	=	+	++	Views
Real assets						
Property						Falling yields supportive for the sector but challenges remain on the occupational side for offices and retail
Infrastructure						Secular themes, such as the energy transition, AI and critical infrastructure upgrades are very supportive
Renewables						Hostile regulatory backdrop and cooling enthusiasm for net zero, combined with supply cost inflation, present challenges
Private Equity						Pick up in M&A and exits, should ease congestion in the private markets ecosystem as well as helping investment internal rates of return and fresh capital raising
Gold						Support from geopolitical uncertainty and central bank buying offset by concerns over rapid recent gains and stretched positioning

Currencies	Currency vs column header				Views
	\$	€	£		
U.S. dollar vs		+	+		Fed cuts are set to slow, while expectations for further weakness may be challenged by potential pre-election fiscal stimulus
Euro vs	-		+		Despite the ECB likely done cutting and German fiscal support, already-long positioning may limit further near-term appreciation
Sterling vs	-	-			Weak UK growth and expectations of more aggressive BoE cuts are likely to put downward pressure on sterling
Japanese yen vs	-	-	-		Fiscal stimulus and BoJ caution on rate hikes are keeping downward pressure on the yen despite rising government bond yields

Underweight Neutral Overweight

← → + - change from last quarter

Definitions, Indices, & Risks

Definitions

10-Year Treasury Yield is the interest rate on U.S. Treasury bonds that will mature 10 years from the date of purchase.

Consumer price index (CPI): A measure that examines the price change of a basket of consumer goods and services over time. It is used to estimate inflation.

Correlation: How far the price movements of two variables (eg. equity or fund returns) move in relation to each other. A correlation of +1.0 means that both variables have a strong association in the direction they move. If they have a correlation of -1.0, they move in opposite directions. A figure near zero suggests a weak or non-existent relationship between the two variables.

Credit spread: The difference in yield between securities with similar maturity but different credit quality, often used to describe the difference in yield between corporate bonds and government bonds. Widening spreads generally indicate a deteriorating creditworthiness of corporate borrowers, while narrowing indicate improving.

Cyclical: Sensitive to changes in the economy. In the case of stocks, that would include companies that sell discretionary consumer items (such as cars), or highly correlated to demand (eg. mining).

Default rate measures the failure of debtors (such as a bond issuer) to pay interest or to return an original amount loaned when due.

Diversification: A way of spreading risk by mixing different types of assets/asset classes in a portfolio, on the assumption that these assets will behave differently in any given scenario.

Duration measures a bond price's sensitivity to changes in interest rates. The longer a bond's duration, the higher its sensitivity to changes in interest rates and vice versa.

Earnings per share (EPS): EPS is the bottom-line measure of a company's profitability, defined as net income (profit after tax) divided by the number of outstanding shares.

Fiscal/Fiscal policy: Describes government policy relating to setting tax rates and spending levels. Fiscal policy is separate from monetary policy, which is typically set by a central bank.

Forward earnings: An estimate of the future earnings of a business, usually covering the present financial year or the next one.

High yield bond: Also known as a sub-investment grade bond, or 'junk' bond. These bonds usually carry a higher risk of the issuer defaulting on their payments, so they are typically issued with a higher interest rate (coupon) to compensate for the additional risk.

Investment-grade bond: A bond typically issued by governments or companies perceived to have a relatively low risk of defaulting on their payments, reflected in the higher rating given to them by credit ratings agencies.

Late cycle refers to the final phase of an economic cycle before a recession. Economic activity often reaches its peak and growth slows but remains positive.

Monetary Policy refers to the policies of a central bank, aimed at influencing the level of inflation and growth in an economy. It includes controlling interest rates and the supply of money. **Monetary stimulus** refers to a central bank increasing the supply of money and lowering borrowing costs. **Monetary tightening** refers to central bank activity aimed at curbing inflation and slowing down growth in the economy by raising interest rates and reducing the supply of money.

Private assets are investments that are not publicly traded or listed on a public stock exchange.

Purchasing Managers' Index (PMI) is a survey that acts as a leading insight into the prevailing direction of economic trends, based on the view of managers across 19 industries. The index is based on five indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.

Ratings/Credit quality ratings are measured on a scale that generally ranges from AAA (highest) to C (lowest).

Real assets are tangible investments, such as gold, real estate, or oil, that have an intrinsic value due to their substance and physical properties.

Recession: A sustained decline in economic activity, usually perceived as two consecutive quarters of economic contraction.

Safe-haven: An asset that is expected to retain its value or potentially even gain value, during periods of economic uncertainty or market turbulence, eg. gold, US government debt, the US dollar, cash, etc.

Spreads/Credit Spread is the difference in yield between securities with similar maturity but different credit quality. Widening spreads generally indicate deteriorating creditworthiness of corporate borrowers, and narrowing indicate improving.

Tariffs: A tax or duty imposed by a government on goods imported from other countries.

Volatility: The rate and extent at which the price of a portfolio, security, or index, moves up and down. If the price swings up and down with large movements, it has high volatility. If the price moves more slowly and to a lesser extent, it has lower volatility. The higher the volatility the higher the risk of the investment.

Yield: The level of income on a security over a set period, typically expressed as a percentage rate. For equities, a common measure is the dividend yield, which divides recent dividend payments for each share by the share price. For a bond, this is calculated as the coupon payment divided by the current bond price.

Indices

The **FTSE 100 Index** covers the 100 largest stocks listed on the London Stock Exchange.

The **MSCI All Country World Index (ACWI)** is a stock market index that tracks the performance of large and mid-cap stocks in 23 developed and 24 emerging markets.

The **MSCI ACWI ex US** is a stock market index that tracks the performance of large and mid-cap stocks in 22 developed and 24 emerging markets (excluding the US).

MSCI China Index™ reflects the equity market performance of China.

MSCI Emerging Markets Index reflects the equity market performance of emerging markets.

MSCI Europe Index reflects the equity market performance of developed markets in Europe.

The **MSCI Europe ex UK Index** measures the equity market performance of large and mid-cap companies across 14 developed markets in Europe, excluding the United Kingdom.

MSCI Japan Index reflects the performance of large and mid-cap companies in the Japanese market.

The **MSCI US Index** is a stock market index that tracks the performance of large and mid-cap companies in the US equity market, by market capitalisation.

The **Russell 1000 / 2000 / 3000 indices** measure the performance of the largest 1000, 2000 and 3000 companies in the US, by market capitalization.

S&P 500® Index reflects U.S. large-cap equity performance and represents broad U.S. equity market performance.

The **S&P Small Cap 600** is a capitalisation-weighted index that covers small-cap US stocks ranging from \$1.2 billion to \$8 billion in market value.

The **TOPIX** is Japan's main stock market index, covering all companies on the Tokyo Stock Exchange.

Definitions, Indices, & Risks (continued)

Risks

Investing involves risk, including the possible loss of principal and fluctuation of value.

Alternative investments include, but are not limited to, commodities, real estate, currencies, hedging strategies, futures, structured products, and other securities intended to be less correlated to the market. They are typically subject to increased risk and are not suitable for all investors.

Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.

Equity securities are subject to risks including market risk. Returns will fluctuate in response to issuer, political and economic developments. **Foreign securities** are subject to additional risks including currency fluctuations, political and economic uncertainty, increased volatility, lower liquidity and differing financial and information reporting standards, all of which are magnified in **emerging markets**.

Fixed income securities are subject to interest rate, inflation, credit and default risk. As interest rates rise, bond prices usually fall, and vice versa. **High-yield bonds, or “junk” bonds**, involve a greater risk of default and price volatility. **Foreign securities**, including sovereign debt, are subject to currency fluctuations, political and economic uncertainty and increased volatility and lower liquidity, all of which are magnified in emerging markets.

Growth and value investing each have their own unique risks and potential for rewards, and may not be suitable for all investors. Growth stocks are subject to increased risk of loss and price volatility and may not realize their perceived growth potential. Value stocks can continue to be undervalued by the market for long periods of time and may not appreciate to the extent expected.

Inflation-linked bonds feature adjustments to principal based on inflation rates. They typically have lower yields than conventional fixed-rate bonds and decline in price when real interest rates rise.

Real estate securities, including Real Estate Investment Trusts (REITs), are sensitive to changes in real estate values and rental income, property taxes, interest rates, tax and regulatory requirements, supply and demand, and the management skill and creditworthiness of the company. Additionally, REITs could fail to qualify for certain tax-benefits or registration exemptions which could produce adverse economic consequences.

Securitized products, such as mortgage- and asset-backed securities, are more sensitive to interest rate changes, have extension and prepayment risk, and are subject to more credit, valuation, and liquidity risk than other fixed-income securities.

Smaller capitalization securities may be less stable and more susceptible to adverse developments, and may be more volatile and less liquid than larger capitalization securities.

Sovereign debt securities are subject to the additional risk that, under some political, diplomatic, social or economic circumstances, some developing countries that issue lower quality debt securities may be unable or unwilling to make principal or interest payments as they come due.

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