**Markets Recon**
Critical Investment Insights

Priming Portfolios

A Guide to Asset Managers' 2026 Investment Outlooks and Asset Class Calls

January 2026

2026 Global Outlook

Pushing limits

BlackRock.
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Outlook 2026

The Age of Alpha

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ROBE...
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2026 INVESTMENT OUTLOOK

The synchronized shift

WHEN ECONOMIES PLAY A RARE HARMONY

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Invesco

The Big Picture
Global Asset Allocation 2026 Outlook

Quarterly update from Invesco's Strategy & Insights Team
9 November 2025

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GLOBAL MARKET OUTLOOK 2026

Forward with focus

STATE STREET
INVESTMENT MANAGEMENT

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amova
Asset Management

Global multi-asset outlook 2026
Balancing caution and opportunity amid sticky inflation

By the Multi-Asset Team
27 November 2025

- As the Federal Reserve (Fed) may not cut interest rates as aggressively as the markets expect, we take a more cautious view on risk assets into 2026.
- Valuations remain historically high, raising long-term return concerns despite strong near-term growth signals.
- We are wary of long-dated government bonds due to resurgent inflation; we are focused on sovereigns with steep yield curves.
- Positive bond-equity correlation may amplify volatility, making mid-curve bonds and US dollar exposure key diversifiers.
- The US dollar is expected to stand out as a diversifier, benefiting from positive carry and negative correlation to risk assets.

Our outlook for 2026

With 2025 drawing to a close, a turbulent yet strong year of financial market performance falls behind us. Despite the introduction of global tariffs threatening to upend growth, earnings increased and equity multiples rose in 2025. With equity valuations becoming stretched, the outlook for 2026 is somewhat clouded as the chorus of analysts stating that the market is overvalued is set against what appears to be strong economic growth. We are not fully convinced whether the Fed will cut rates as far as the market expects, and as such have begun to take a more cautious view on risk assets.

Growth assets: when equity valuations meet earnings

Despite the volatility following April's Liberation Day tariffs, equities have registered strong performance in 2025, with the MSCI All Country World Index rising over 19% at the time of writing. Price-earnings (P/E) ratios have expanded, taking equity market valuations to lofty levels. The US has been at the centre of the action, with the S&P 500 now trading at 22 times forward earnings—a level exceeded only a handful of times in history. Many pundits use this metric to describe a market that is overvalued and prone to shocks or bubble-like conditions reminiscent of the dot-com era. Whether artificial intelligence (AI) is headed for a similar reckoning remains to be seen. However, from a historical perspective, the justification for these calls is easy to understand: the higher the valuations, the more likely that returns will languish over the coming decade.

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Global Investment Outlook

2026 and beyond

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ISA by LaSalle
Insights Strategy Analysis

GLOBAL Outlook 2026

Published on November 18, 2025

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2026 Private Markets Outlook: Executive summary

December 2025

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For 2026, we see three macro themes emerging: *broadening, steepening and weakening.*

Broadening reflects our conviction that investment opportunities across regions and asset classes are expanding. *Steepening* refers to yield curves, where falling short-term interest rates should incentivize many investors to move out of cash holdings and into risk assets, including equities, credit and duration fixed income. *Weakening* regards the US dollar, which augurs well for emerging debt and equity markets, and is also an important development for portfolio management and hedging strategies.

As we examine 2025 and consider the new year ahead, we see a backdrop of new highs in US equity markets, a resumption of the Federal Reserve's rate-cutting cycle and still-stubborn inflation. Geopolitical risks around the world remain elevated, with the markets still digesting the impact of trade tariffs and their long-term implications. Based on the current market backdrop, we see the following opportunities in private markets.

Private equity: While exits have picked up, and valuations are down, we still favor secondaries due to attractive fundamentals and their built-in structural advantages. Institutions and family offices still need liquidity to meet their needs. From an investor perspective, secondaries have several built-in structural advantages that are particularly important in today's market environment, including shortening the J-curve and returning capital to investors quicker, across vintage, general partner (GP), geography, industry and stage (venture capital, growth and buyout).

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Issued: December 2025
THE EMERGING VIEW

Ashmore

Annual Outlook for Emerging Markets

Disinflation, not debasement points to 'goldilocks' in 2026
By Gustavo Medeiros and Ben Underhill

Despite elevated uncertainty from US tariff policy, 2025 has been the strongest year for emerging markets (EM) asset outperformance since 2017. Broad-based rate cuts and a weaker US dollar supported the rally, but the results also highlight the resilience of EM economies, the flexibility of global supply chains, and increasingly robust institutional frameworks that continue to accelerate reform programmes and anchor macro stability across much of the EM universe.

Looking into 2026, the peak in US policy risk appears to be fading. China's disinflationary impulse and AI driven productivity gains mean global inflation is likely to move lower, in our view. This would give the Federal Reserve and other central banks room to continue easing, supporting stable global GDP growth and faster growth in countries with still-elevated real interest rates, such as India and Brazil. Versus consensus, we see global inflation risks skewed to the downside and global growth risks skewed to the upside, raising the probability of 'goldilocks' conditions. The Federal Reserve continuing to cut rates in 2026 implies a soft USD. And with inflation expectations falling, the widely cited 'debasement'...

Invesco

2026 ANNUAL INVESTMENT OUTLOOK

Resilience and rebalancing

Presented by
Invesco Strategy & Insights

Janus Henderson INVESTORS

MARKET GPS

INVESTMENT OUTLOOK 2026

Market GPS shares our thinking to help navigate the investment landscape and prepare for the route ahead.

YOUR BRIGHT FUTURE & OUR INVESTMENT EXPERTISE

WHAT'S INSIDE:
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Stephen White, CAIA
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Markets Recon

Kyle Harris
Chief Product Officer
Markets Recon

"How might markets perform in 2026 and beyond?"

"What do leading investment managers, wealth managers, and private banks think?"

"How can I quickly and efficiently synthesise views from across the investment industry's mid-year outlooks?"

These are questions many CIOs, portfolio builders, and investment advisors will be asking themselves at the start of the year. And Markets Recon is here to help.

We have analysed 260+ annual outlook reports, allocation papers, and commentaries - totalling more than 2,300+ pages - from 115+ firms managing ~$85 trillion of client assets.

This unstructured data is then structured - distilled down into our 'Positioning Analysis' - which plots asset managers' explicit and/or strongly implied overweight, neutral, and underweight convictions in an aggregate view.

This report include analysis and commentary covering major asset classes, assessing where firms are most constructive and also where they see the biggest risks for investors in 2026.

Some fascinating insights emerge: Global growth entering 2026 remains resilient but fragile, supported by AI-driven capex, easing (though divergent) monetary policy and selective fiscal tailwinds, while tariffs, geopolitics and elevated public debt keep inflation risks asymmetric and policy paths uncertain. Returns are expected to be less driven by broad beta and more by dispersion, relative value and active allocation, as the cycle matures and valuations tighten.

We also calculate proprietary 'Bull/Bear' scores - which are normalised over time - so clients can compare sentiment and narratives over time in Markets Recon's *Allocator Pro* module. A positive score implies bullish or overweight sentiment. A negative score the opposite. To illustrate, we share 'Bull-Bear' scores in this report around the highest incidence overweights/underweights.

We have also summarised these papers, podcasts, and research notes into our 110 page *Recons report* - a 95% reduction in length!

We hope this research and summarised content is a valuable checkpoint for you in your investment process.

The Markets Recon team

Methodology
We use a combination of multi-model AI tools and human analysis to derive asset class sentiment calls. We use AI for generating simple Commentaries for each call. We then calculate 'Bull/Bear Scores' using a proportional weighting methodology that factors in weight of sentiment and proportionality. This is normalised across time periods for ease of comparison.

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Fund managers' most bullish asset class calls for H1 2026

	Underweight	Neutral	Overweight	Bull/Bear
Gold/Precious	1	8	35	14
EM Debt - Local	0	2	26	12.5
AI	1	4	28	11.8
EM Equities	1	16	34	11.4
Private Debt	1	4	27	11.3
Securitized Debt	0	1	22	10.9
Private Infrastructure	0	0	21	10.9
Japan Equities	0	15	30	10.3
Global Equities	0	25	33	9.7
EM Debt - General	0	6	22	8.9

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Fund managers' most bearish asset class calls for H1 2026

	Underweight	Neutral	Overweight	Bull/Bear
Low Quality Issuers	18	0	0	-9.3
Long Duration	24	3	2	-9
USD	22	1	5	-8.5
Mega-Cap (Tech)	19	2	12	-5.1
Cash	15	2	7	-4.2
Long-Dated Bonds	7	0	1	-3.2
Non-Prime Real Estate	5	0	0	-2.6
French Government Bonds	4	0	0	-2.1
Floating Rate Loans	3	0	0	-1.6
Chinese Real Estate	3	0	0	-1.6

Source: Markets Recon, 7 January 2026. Based on 1,903 asset class views from 246 outlooks. Bull/bear score is calculated using a proportional weighting method, where both volume and conviction of sentiment are reflected. This information is for illustrative purposes and should not be relied on as investment advice. Capital at risk.

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Critical Investment Insights

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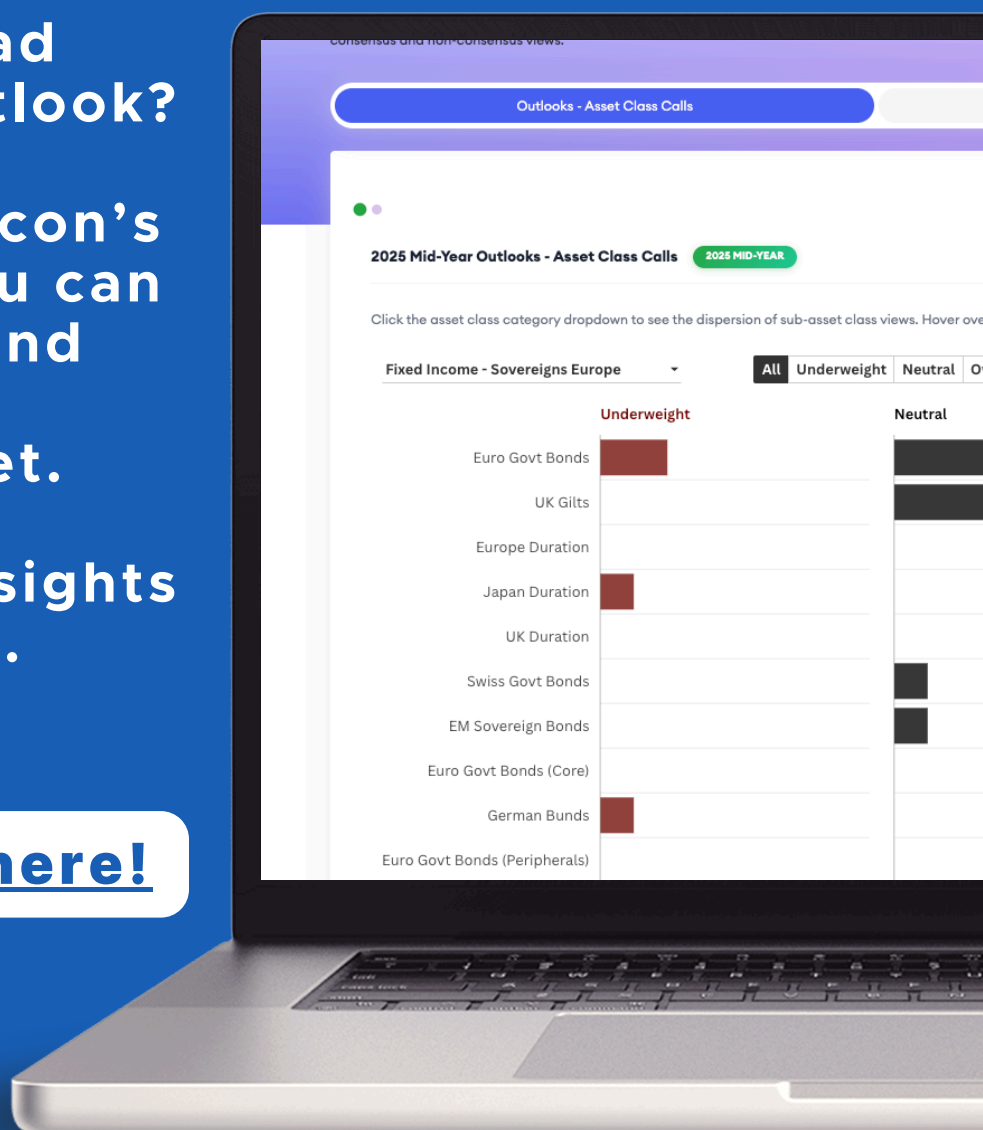
Macro

A late-cycle global backdrop marked by divergence

As we enter 2026, the global macro environment is defined by resilient but uneven growth, moderating yet asymmetric inflation pressures, and growing divergence across regions and policy regimes. Advanced economies are navigating the transition away from restrictive monetary policy at different speeds, while emerging markets face a more complex mix of inflation dynamics, capital flows and currency volatility. Elevated sovereign debt levels and tighter fiscal constraints limit policymakers' flexibility, reinforcing a market environment where returns are increasingly driven by dispersion, relative value and active allocation, rather than broad beta exposure.

Monetary policy, inflation and the return of uncertainty
While inflation has eased from recent peaks, it remains structurally less predictable, shaped by supply-chain realignment, labour market tightness and geopolitical disruption. Central banks remain cautious, aware that premature easing could reignite price pressures, while excessive restraint risks choking growth. This balance leaves markets highly sensitive to incremental data and policy signals, increasing the value of flexibility and diversification in portfolio construction.

Geopolitics reasserts itself as a core macro variable
Geopolitical risk has moved decisively back to the centre of the macro landscape. Last week's U.S. military operation ordering the capture and arrest of Venezuela's president marked a significant escalation in hemispheric geopolitics, breaking with long-standing norms around state sovereignty and non-intervention. The move has prompted sharp diplomatic reactions, including condemnation at the United Nations, and has reignited debate over the use of unilateral force in a multipolar world.
For investors, the significance lies less in Venezuela alone and more in what the episode signals: geopolitical shocks are no longer tail risks. They are increasingly endogenous drivers of volatility, influencing energy markets, capital flows, currencies and risk premia across asset classes.

Market implications: energy, FX and risk pricing
Markets have already begun to reflect this heightened sensitivity. Energy assets briefly repriced on expectations of U.S. influence over Venezuelan oil supply, while currency markets remain alert to potential safe-haven flows should geopolitical tensions broaden. At the same time, assets linked to global growth and policy credibility are trading with greater sensitivity to political developments, reinforcing the importance of understanding non-economic catalysts in portfolio risk management.
Portfolio construction in a geopolitically fragmented world

Against this backdrop, allocators are increasingly adopting barbell strategies - anchoring portfolios in assets offering income, diversification and structural resilience, while retaining tactical flexibility to respond to episodic volatility. Emphasis is shifting toward quality, balance-sheet strength, liquidity and assets that can perform across a wider range of macro and geopolitical outcomes.

CIO takeaway: resilience over prediction
The macro outlook for 2026 argues less for precise forecasting and more for robust portfolio design. With policy divergence, fiscal constraints and geopolitical uncertainty shaping markets simultaneously, CIOs face an environment where risk management, scenario planning and selectivity matter more than directional conviction. Capturing opportunity while protecting against regime shifts will be central to delivering consistent outcomes in the year ahead.

Equities

# Underweight Calls	# Neutral Calls	# Overweight Calls	Average Bull/Bear Score
81	251	466	1.9

Equities: optimism broadens, but leadership is increasingly selective

The equity signals in Priming Portfolios 2026 point to a constructive but highly discriminating stance among asset allocators. Aggregate sentiment across equities is clearly positive, yet conviction is unevenly distributed across regions, sectors, styles and themes. Rather than a blanket "risk-on" posture, the data suggest CIOs are rotating toward structural growth drivers and reform-led markets, while becoming more cautious on crowded, valuation-sensitive exposures.

Where conviction is strongest
At the top of the equity ranking sits AI, the single most bullish equity-linked theme in the dataset. The strength of the Bull/Bear score reflects broad agreement that AI remains a durable, multi-year growth driver, extending beyond hardware into productivity gains, automation and earnings resilience. Importantly, the commentary highlights increasing differentiation within the theme, with emphasis on monetisation, balance-sheet strength and second-order beneficiaries.

Emerging Markets Equities and Japan Equities follow closely, forming the core of regional equity conviction. In EM, bullishness reflects selective opportunities tied to domestic growth, industrial policy and improving fundamentals, rather than indiscriminate EM beta. Japan's strong positioning is reinforced by consistent commentary around corporate governance reform, capital efficiency, shareholder returns and improving domestic demand. Japan is increasingly treated as a structural allocation, not a cyclical trade.

Global Equities also screen highly positive, signalling that allocators remain broadly committed to equity risk at the aggregate level. This supports the view that equities continue to be favoured relative to other asset classes, even as positioning becomes more nuanced beneath the surface.

Notably, Europe Equities rank firmly in the upper tier of bullish sentiment. With a Bull/Bear score well above the US, Europe appears to be benefiting from valuation support, earnings resilience and diversification appeal. The commentary suggests that while structural challenges persist, allocators see Europe as offering a more attractive balance of risk and return than some higher-priced markets.

More measured enthusiasm elsewhere
US Equities remain positively viewed, but with clearly lower conviction than Europe, Japan or EM. Commentary consistently points to valuation discipline as the key constraint: strong earnings and innovation are acknowledged, but elevated multiples - particularly in large-cap and mega-cap technology - limit incremental enthusiasm. This is reinforced by the sharply negative sentiment toward US Mega-Cap (Tech), which stands out as one of the most bearish equity exposures in the dataset, reflecting crowding and asymmetric downside risk.

Across styles and sectors, sentiment favours Quality, Industrials, Healthcare/Pharma, and Energy, though generally with moderate rather than high conviction. This suggests allocators are seeking earnings durability and balance-sheet strength, while remaining cautious about cyclicality and late-cycle risk.

China-related equities show a nuanced picture. Broad China equities attract modestly positive sentiment, while policy-led or alpha-oriented China strategies score slightly higher, indicating a preference for selective, policy-aware exposure over broad market allocations.

Where caution is most evident
At the lower end of the spectrum, sentiment turns negative toward general equity exposure - especially broad market beta. Several regional markets - Canada, Australia and New Zealand - also sit slightly below neutral, likely reflecting concerns around commodity sensitivity, domestic growth constraints, and less compelling risk-adjusted returns.

CIO takeaway
The central message: allocators remain pro-equity, but not indiscriminate. Capital is being directed toward markets and themes with structural tailwinds - AI, Japan, Europe and selective EM - while crowded, valuation-stretched segments face growing scepticism. For CIOs, equity positioning in 2026 is less about increasing beta, and more about where and how equity risk is taken.

Fixed Income

# Underweight Calls	# Neutral Calls	# Overweight Calls	Average Bull/Bear Score
138	223	245	0.5

Fixed Income: income and selectivity over duration risk

The fixed income signals in Priming Portfolios 2026 reflect a market that remains constructive on carry and income, but increasingly cautious on duration-heavy and low-quality exposures. Rather than a broad-based bond rally, asset allocators are positioning for a more fragmented opportunity set, favouring segments where yield, structural support and diversification benefits outweigh interest-rate and credit risks.

Where conviction is strongest

The clearest source of positive sentiment sits within Emerging Market debt, particularly local-currency EM debt, which registers the highest Bull/Bear score across fixed income. Commentary consistently highlights attractive real yields, improving macro fundamentals in select EM countries, and scope for currency appreciation where inflation is under control. More broadly, EM debt (general) and hard-currency EM debt also score positively, reinforcing the view that EM fixed income offers some of the most compelling risk-adjusted income opportunities in 2026 - albeit on a selective, country-specific basis.

Another area of strong conviction is securitised and structured credit, including ABS, MBS and CLOs. Allocators are attracted by their relative insulation from duration risk, robust structural protections, and attractive spreads versus traditional investment-grade credit. US Agency MBS also feature positively, supported by valuations and the potential for stabilising prepayment dynamics.

Municipal bonds stand out as a favoured sovereign-linked exposure, reflecting their defensive characteristics and income appeal, while UK Gilts and inflation-linked bonds (TIPS) attract positive sentiment as tools for diversification and inflation resilience rather than outright duration bets.

Selective opportunities within credit

Within credit, sentiment is clearly bifurcated by quality. High-quality issuers, bank loans, and parts of investment-grade credit attract moderate but positive scores, reflecting confidence in carry and balance-sheet resilience. Insurance-linked securities and catastrophe bonds also appear as niche opportunities, valued for their low correlation to traditional markets. Conversely, enthusiasm fades as credit quality deteriorates. While global high yield and leveraged loans are not universally avoided, commentary stresses selectivity and caution, with allocators wary of refinancing risk and default dispersion in a slower-growth environment.

Duration remains the key risk

The most consistent negative signal across fixed income is long duration. Long-dated US Treasuries, long-dated European sovereigns, and long-duration bond strategies carry some of the most bearish Bull/Bear scores in the dataset. The commentary points to persistent uncertainty around inflation, fiscal dynamics and term premia as reasons to limit exposure to duration risk.

Similarly, low-quality issuers register the most negative sentiment overall, underscoring concern that spread compression leaves little margin for error if growth disappoints or financial conditions tighten.

CIO takeaway

The fixed income message from Priming Portfolios 2026 is one of precision rather than passivity. Allocators are not retreating from bonds, but are re-orienting portfolios toward income-rich, structurally supported segments while reducing exposure to duration-heavy and lower-quality risk. Opportunities are concentrated in EM debt, securitised credit, municipals and selective IG, while long duration and weak credit quality remain the key sources of downside risk. For CIOs, fixed income in 2026 is less about timing rate cuts and more about building resilient income with disciplined risk control.

Commodities

# Underweight Calls	# Neutral Calls	# Overweight Calls	Average Bull/Bear Score
4	24	68	2.7

Commodities: hedging, scarcity and selectivity drive conviction

The commodities signals in Priming Portfolios 2026 point to a constructive but highly uneven opportunity set. Allocators are not treating commodities as a single cyclical trade. Instead, sentiment is shaped by hedging demand, structural supply constraints and selective transition themes, with clear differentiation between metals, energy and agricultural exposures.

Where conviction is strongest

By a wide margin, Gold and Precious Metals sit at the top of the commodities ranking, with the strongest Bull/Bear score in the dataset. Commentary consistently frames gold as a strategic hedge rather than a growth asset: protection against geopolitical risk, currency debasement, fiscal uncertainty and macro volatility all feature prominently. Unlike more cyclical commodities, gold's appeal is driven by portfolio resilience and diversification, which explains the breadth and durability of overweight signals.

Copper and Industrial Metals form the second tier of conviction. Positive sentiment reflects structural demand linked to electrification, infrastructure investment and energy transition dynamics, alongside persistent supply constraints. Allocators appear comfortable holding exposure where long-term demand visibility is strong, even if near-term price volatility remains. A broad commodities allocation also screens positively, suggesting that some CIOs continue to value commodities as an inflation hedge and portfolio diversifier, particularly in an environment where geopolitical risk and supply disruptions remain live considerations.

Transition-linked and thematic exposure

Beyond core metals, sentiment toward critical minerals and rare earths, nuclear and clean-energy-linked commodities, uranium, and natural gas is modestly positive. Commentary emphasises that these exposures are thematic and policy-driven, rather than cyclical. Allocators favour selective positioning tied to energy security, decarbonisation pathways and constrained supply chains, but stop short of high-conviction, broad allocations.

Agriculture and farmland also register mild bullishness, reflecting their role as inflation hedges and real-asset diversifiers. However, sentiment here appears more tactical than structural, with weather volatility, geopolitical disruption and policy risk limiting stronger conviction.

Energy: divergence within the complex

The most notable area of weakness within commodities is oil, which is the only exposure in the table with a negative Bull/Bear score. Commentary highlights concerns around demand uncertainty, supply responsiveness and geopolitical volatility, with allocators wary of asymmetric downside risk should global growth disappoint or supply dynamics shift unexpectedly. While energy security remains a strategic consideration, this has not translated into broad enthusiasm for oil exposure.

More broadly, energy commodities sit close to neutral, underscoring that allocators are distinguishing between structural transition themes and traditional fossil-fuel cyclicality.

Opportunities and risks for CIOs

The commodities opportunity set in 2026 is defined less by broad reflation expectations and more by purposeful allocation. The strongest opportunities lie where commodities offer:

- Portfolio protection (gold)
- Structural demand and scarcity (industrial metals)
- Transition and energy-security exposure (selective thematic commodities)

The key risks are tied to cyclicality and volatility, particularly where demand is growth-sensitive or supply can respond quickly to price signals. Oil stands out as the clearest example of this risk asymmetry.

CIO takeaway

The commodities message from Priming Portfolios 2026 is one of intentional exposure, not blanket positioning. Allocators are using commodities primarily as hedges and structural diversifiers, with strongest conviction in precious and industrial metals, while remaining cautious toward oil and more cyclical energy exposures. For CIOs, commodities play a supporting but strategic role - enhancing resilience rather than driving returns in isolation.

Private Markets & Hedge Funds

# Underweight Calls	# Neutral Calls	# Overweight Calls	Average Bull/Bear Score
24	51	204	1.2

Private Markets & Hedge Funds: income, infrastructure and selectivity define conviction

TThe Priming Portfolios 2026 signals position Private Markets as one of the highest-conviction areas in asset allocation, driven by a preference for income visibility, downside protection and structural demand. Allocators are concentrating exposure where cash flows are resilient and valuation risk is more controllable, while remaining cautious toward segments facing cyclical or structural headwinds.

Private Credit: the core of conviction

Private Credit stands out as the most consistently favoured segment. Broad private credit, direct lending, and asset-based / asset-backed finance dominate the top of the Bull/Bear rankings. Commentary highlights attractive all-in yields, covenant protection and seniority in the capital structure. In a slower-growth environment, allocators view private credit as a strategic source of income with greater risk control than public markets.

More specialised areas - such as specialty finance, distressed and special situations - also attract positive sentiment, though with an emphasis on selectivity and manager skill. Overall, private credit is being treated as a core portfolio allocation, rather than a tactical yield enhancement.

Infrastructure and real assets: durability and long-dated cash flows

Private Infrastructure follows closely behind private credit in conviction. Core infrastructure and data centres are particularly favoured, supported by inflation-linked revenues and structural demand tied to digitalisation and energy systems. Infrastructure debt also scores positively, reflecting its defensive profile and predictable income.

Within real assets, sentiment is more uneven. Select segments such as logistics, industrials and residential attract modest optimism, but the asset class overall is approached cautiously as allocators differentiate sharply between structurally supported income assets and challenged segments.

Private Equity: selective, not directional

Private equity sentiment remains positive but materially more selective than in previous cycles. Secondaries and middle-market buyouts rank highest, reflecting attractive entry points and vintage dispersion. Buyouts and growth equity attract measured optimism, while venture capital sits lower, suggesting continued caution following valuation resets.

Broad or regional private equity exposures cluster closer to neutral, reinforcing that allocators are prioritising strategy and manager selection over directional asset-class exposure.

Real estate: structural pressure points

The weakest sentiment in private markets is concentrated in office real estate, particularly secondary and non-prime assets, alongside China-linked real estate. Commentary highlights persistent demand challenges, refinancing risk and valuation uncertainty. Opportunistic real estate also scores negatively, indicating scepticism that risk premia adequately compensate for macro and structural risks.

Hedge Funds: diversification over beta

Hedge funds attract modest, strategy-specific support, valued primarily for diversification rather than return generation. Event-driven, equity market neutral and discretionary global macro strategies score slightly positive, supported by dispersion and episodic volatility. Systematic macro and multi-strategy approaches sit closer to neutral, underscoring the importance of manager selection.

CIO takeaway

The message from Priming Portfolios 2026 is clear: private markets remain central, but capital is being deployed with greater precision. Private credit and infrastructure anchor portfolios through income and resilience; private equity is increasingly opportunity-driven; real estate is sharply bifurcated; and hedge funds play a complementary, diversifying role. For ClOs, the focus is less on expanding exposure and more on where risk is being paid - and where it is not.

Currencies & Cash

# Underweight Calls	# Neutral Calls	# Overweight Calls	Average Bull/Bear Score
43	7	19	-0.8

Currencies & Cash: rotation away from the dollar and idle liquidity

The Priming Portfolios 2026 signals for currencies and cash point to a clear re-orientation in allocator positioning. Rather than viewing currencies as a defensive afterthought, CIOs are increasingly using FX exposure as an active portfolio lever, while simultaneously reducing reliance on cash as returns compress and opportunity costs rise.

Emerging market and cyclical FX lead sentiment
At the top of the currency rankings sits the EM currency basket, which attracts the strongest bullish sentiment. Commentary highlights improving macro fundamentals in select emerging economies, attractive real yield differentials, and greater policy credibility relative to prior cycles. Allocators appear comfortable expressing selective EM risk through FX rather than local assets, viewing currencies as a more flexible way to capture upside while managing downside risk.

Among developed markets, the euro and Australian dollar stand out as the most favoured currencies. Positive sentiment toward the euro reflects expectations of stabilising growth and a narrowing of rate differentials versus the US, while the AUD benefits from its linkage to global growth and commodity demand. In both cases, allocators are positioning for relative improvement rather than outright strength, using these currencies as alternatives to the US dollar.

Defensive currencies play a stabilising role
Swiss franc and Japanese yen exposures cluster close to neutral, underscoring their role as defensive or diversifying currencies rather than sources of return. Commentary suggests that while both retain safe-haven characteristics, conviction is tempered by intervention risk, yield disadvantages and the opportunity cost of holding low-carry currencies in a still-evolving rate environment.

The dollar and cash fall out of favour
The most striking signal in the dataset is the strongly bearish sentiment toward the US dollar, which registers the lowest Bull/Bear score in the table. Commentary consistently points to the erosion of the dollar's carry advantage, fiscal concerns and the growing appeal of diversification away from USD-centric portfolios. While the dollar is not viewed as structurally impaired, allocators appear increasingly comfortable reducing overweight positions accumulated in prior years.

Similarly, cash and money market exposure attracts decisively negative sentiment. With policy rates expected to peak or decline, the return on cash is seen as less compelling, particularly when set against opportunities across risk assets and selective fixed income. Cash is still valued for liquidity and optionality, but commentary suggests that CIOs are actively redeploying excess cash into assets with higher expected returns.

Digital assets remain peripheral
Digital assets and crypto sit modestly in negative territory. Commentary reflects continued scepticism around volatility, regulatory uncertainty and unclear portfolio roles. While some investors acknowledge optional upside, digital assets remain non-core for most institutional portfolios.

CIO takeaway
The currencies and cash message from Priming Portfolios 2026 is one of active reallocation rather than inertia. Allocators are rotating away from the US dollar and excess cash holdings, while selectively embracing EM and cyclical developed-market currencies to enhance diversification and return potential. Defensive currencies retain a stabilising role, but conviction is limited. For CIOs, FX is no longer just a hedge - it is increasingly a deliberate source of portfolio positioning, while cash is being treated as a temporary holding rather than a strategic asset.

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