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3EDGE ASSET MANAGEMENT

View From the EDGE®

What's in Store for 2026?

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Asset Class	Negative		Mixed	Positive	
Equities:					
U.S.				■	
Europe		■			
Dev. Asia					■
EM/China				■	
India				■	
Fixed Income:					
Rates			■		
Credit	■				
Short Term Fixed Income & Cash				■	
Hard Assets:					
Gold				■	
Commodities				■	

About 3EDGE

3EDGE Asset Management, LP, is a multi-asset investment management firm serving institutional investors and private clients. 3EDGE strategies act as tactical diversifiers, seeking to generate consistent, long-term investment returns, regardless of market conditions, while managing downside risks.

The primary investment vehicles utilized in portfolio construction are index Exchange Traded Funds (ETFs). The investment research process is driven by the firm's proprietary global capital markets model. The model is stress-tested over 150 years of market history and translates decades of research and investment experience into a system of causal rules and algorithms to describe global capital market behavior. 3EDGE offers a full suite of solutions, each with a target rate of return and risk parameters, to meet investors' different objectives.

Happy New Year! Despite the nearly 20% decline in U.S. stocks (as measured by the S&P 500 Index) following the "Liberation Day" tariff announcement, stocks rebounded strongly to close the year in positive fashion. Hard assets and international stocks led the way, outperforming the U.S. market in 2025. While U.S. stocks were up over 17%, Japan rose over 26%, and Europe, China, and the broader emerging markets were all up over 30%. One notable laggard was India, though still finishing in positive territory, up just under 3%. Gold and silver climbed over 60% and 144% respectively during the year.

As the new year unfolds, we generally maintain many of the same views and themes we've been ascribing though with nuanced risks. Broadly, we maintain a positive outlook primarily for international stocks due to better relative valuations along with the potential for continued weakness in the U.S. dollar. We also maintain our bullish outlook for gold and commodities though with an acknowledgment of the potential for more volatility in this space as the advances particularly in the precious metal space may have moved too far and too fast to hold near-term.

Geopolitical flashpoints are likely to give rise to unexpected bouts of volatility including, but not limited to: Ukraine-Russia, US-Greenland, US-Venezuela, US-Iran, China-Taiwan, China-Japan, Israel-Gaza & West Bank. We are also more than likely to see a new Fed Chairperson installed once Chair Powell's term is up in May which similarly is likely to lead to interest rate and stock market volatility. And we're likely to continue to hear calls on both sides regarding AI – will it take over the world or lead to a bust with excessive debts that can not be repaid? As the year unfolds we will no doubt update our outlook as new information comes in.

Equities:

- **U.S. Equities:** Our model research remains somewhat positive for U.S. equities, at least in the short term. While U.S. equities remain significantly overvalued by our measure, the positive investor psychology feedback loop can potentially lead to further gains. In addition, after pausing in Q4, credit spreads have resumed tightening recently, also a bullish factor. Fiscal stimulus from the "One Big Beautiful Bill Act" alongside the belief that there may be more monetary loosening in the months ahead is likely to provide a short-term boost to U.S. equities in Q1.
- **European Equities:** While European equities were one of the best performing equity markets in 2025, we still maintain a mixed to slightly negative outlook by our research. The yield curve measure is not sufficiently steep to be indicative of growth for the European region, and monetary stimulative measures have potentially stalled out. Germany's growth remains sluggish alongside U.S. trade relations not particularly helpful currently.
- **Japanese Equities:** We maintain our favorable outlook on Japanese equities. The large fiscal stimulus package passed in November should be a near-term boon for the nation. The note of caution we referenced in months prior remains, i.e., the potential for the Bank of Japan to continue to increase short-term interest rates making the popular Yen-Carry trade less profitable or outright unprofitable. In addition, should the U.S. lower rates while Japan tightens, we may witness a strengthening Yen which could exacerbate the Yen-Carry trade risk, threatening not only Japanese exporters but global stock and bond markets generally.

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- **Emerging Market / Chinese Equities:** We maintain a positive outlook for emerging market equities broadly, as the weak U.S. dollar continues to be a tailwind for the region, allowing emerging markets to practice more stimulative policies without causing currency depreciation. With U.S.–China trade negotiations punted to later this year, both countries can maintain current trade flows while working to increase trade with other partners.

- **Indian Equities:** Despite sluggish performance in 2025, Indian equities maintain a positive outlook. U.S.-India trade negotiations remain unresolved, which leaves 50% tariffs in place currently. While there is an attempt by three U.S. lawmakers to introduce a bill to remove the tariffs imposed on Indian goods, there is another bill being proposed to increase them to 500%! The crux of the issue rests on India's purchase of Russian oil. If progress can be made on that front, perhaps using Venezuela oil, that may help Washington soften its stance on tariffs on Indian goods. While Indian equities are still overvalued by our measure, the yield curve measure we calculate for the region remains positively sloped, indicative of potential future economic growth.

Fixed Income:

- **Rates**: The markets' outlook for inflation is fairly subdued when looking at breakeven inflation rates of varying tenors all hovering at just over 2%. However, these have historically underwhelmed in their ability to properly forecast near-term CPI. The impacts of tariffs along with the excessive debt and debt-service levels, the potential for a weakening dollar, and potential for significant changes afoot at the Federal Reserve each may contribute to a future unanticipated bout of inflation ahead. The potential for higher longer-term yields remains even if the Fed cuts rates at the short-end. These factors continue to support concentrating fixed-income investments in shorter-term maturities.

- **Credit**: Corporate credit spreads remain historically tight, making the additional yield over and above so-called "risk-free" U.S. Treasuries unappealing given the risks of rising inflation.

Hard Assets:

- **Gold:** Central bank gold buying continued through 2025 as nations seek to diversify away from the U.S. dollar. Additionally, tariff measures proposed by the U.S. along with the threat of sanctions have encouraged foreign investors to also seek alternatives to U.S. Dollar-based assets. As Gold is priced in U.S. Dollars, a rising Gold price is a reflection of a weakening demand for U.S. Dollars. As noted at the outset, investors' concerns over geopolitical conflicts and relations, even among allied nations, have helped to boost the attractiveness of Gold as a haven asset. As noted in prior months, as gold continues to make new all-time highs, there comes an increased risk of a consolidation and/or profit-taking period nearer-term as gold peaked in late December at over $4500/oz and more recently trades just below this level. However, gold over the longer term may continue its upward move as weakening job numbers may encourage the Federal Reserve to continue its monetary easing to combat this side of their dual mandate. Gold continues to provide a nice hedge, i.e., volatility dampening, to equity and bond investments in these volatile times.

- **Commodities:** Like gold, weakening demand for U.S. dollars may also benefit commodities more broadly. With the US-China trade relationship dealt with in the near-term, a window opens for stimulative demand from China which could provide a boost for commodities. The outlook remains positive.

For more information about 3EDGE Asset Management or our offerings, please visit our website at 3edgeam.com

3EDGE Solutions Designed to Smooth the Ride

Seeking to manage volatility and downside risk while providing the potential to be additive to investment returns

3EDGE Multi-Asset Investment Solutions

3EDGE Strategies	Risk Intensity	Asset Class Ranges^ Equities	Fixed Income	Hard Assets	Short-Term Fixed Inc / Cash	Potential Use Case
Tactical Core Solutions						
Conservative Strategy *Typical time horizon: 1-3 years*	Low	6–30%	10–88%	4–22%	2–80%	Fixed income, core bond, or annuity replacement
Total Return Strategy *Typical time horizon: >3 years*	Low	13–60%	10–81%	4–35%	2–73%	Traditional 60/40 portfolio replacement
Growth Strategy *Typical time horizon: >5 years*	Low-Medium	20–80%	10–81%	4–35%	2–73%	Growth replacement with an emphasis on minimizing volatility
Tactical Income Solution						
Income Plus Strategy *Typical time horizon: >3 years*	Medium	Equity Income Sources 0–40%	Fixed Income Sources 55–90%	Non-Traditional Fixed Income 5–25%		Income replacement strategy targeting a high yield with emphasis on minimizing drawdowns
Tactical Equity-Focused Solutions						
Aggressive Strategy *Typical time horizon: >10 years*	Medium-High	40–100%	0%	0–60%	0–60%	Equity complement or outright replacement of equity holdings
Global Equity Strategy *Typical time horizon: >10 years*	High	98%	0%	0%	2%	Global equity complement or outright replacement of ACWI holdings
International Equity Strategy *Typical time horizon: >10 years*	High	98%	0%	0%	2%	International equity (ex U.S.) complement or outright replacement
U.S. Equity Strategy *Typical time horizon: >10 years*	High	98%	0%	0%	2%	U.S. equity complement or outright replacement of S&P 500 holdings
Tactical Crypto Solution						
CryptoPlus Strategy *Typical time horizon: >10 years*	Extreme	0%	0%	98%** ***crypto ETFs*	2%	Alternative store of value (i.e. cryptocurrency holdings in place of gold/real assets)

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