STRATEGY OUTLOOK

FEBRUARY 2026

Key takeaways-

- The new year begins with a bang.
- The risk reward has changed.

The new year began with a bang. Greenland and Venezuela dominated early headlines, Iran was gripped by widespread unrest, a series of oil tankers from the Russian “shadow fleet” were seized, and the war in Ukraine continued to escalate—leaving commentators and investors struggling to make sense of the **rapidly shifting landscape**. Meanwhile, in the United States, a criminal investigation involving Federal Reserve Chair Jerome Powell began, and renewed ICE crackdowns on undocumented immigrants generated another wave of domestic turmoil. Markets, too, saw an early jolt, with silver leading the charge in a near-parabolic move and a worrying rise in long end Japanese bond yields. Rumour, noise, half-truths, speculation, and spin began as the various pieces of the jigsaw were randomly put together before the U.S. delegation arrived in Davos—delivering yet more shocks, and making it clear to European leaders that the world order is now changing in real time.

	January 2026	2025
S&P	1.3%	16.3%
Rest of the World	4.6%	28.6%
US Treasury	0%	6.3%
Gold	6.8%	64%
Bitcoin	-12%	-4.6%
WTI Crude	13%	-14.3%
USD Index	-1.4%	-9%

From what we can decipher the Trump administrations agenda appears to be energy independence, domestic manufacturing resurgence, deregulation, security and tax reform. **The style of delivery can be debated but the message is clear**. Howard Lutnick called Europe “slow civilizational suicide” too much debt, industrial decline, military neglect, energy dependence, excessive immigration and political fragmentation. People in glass houses, eh? On the horizon too is a tsunami in terms of AI and robotics and the west’s debt-based system seems woefully unprepared. Plus, NATO doesn’t work without US money…. After events over Greenland, it’s a fair bet NATO is dead as a concept.

We are not geopolitical experts, far from it, but if we were to guess it would be that Venezuela was just about controlling the **supply of oil**. Just as China has rare earth refining that US defence relies on the US now has a bargaining chip in the supply of oil ultimately to China. Additionally, they can cut off the cash flow to a good number of Middle East terror groups. Dig into the details on the raid and what was also meant to be a shock and awe event using, allegedly, directed energy weapons as an example to all. The interest in Greenland, an area which the US has had access to since 1951, **is to do with Space**. The Arctic is the umbilical cord for the world’s data from satellites all going through a ground station in

Svalbard (the cable has already been cut once). The Arctic is now prime real estate, and the US needs some privacy.

For markets despite the twists and turns on the geopolitical front it was a strong start to the New Year. We have been long silver for a few years now, largely because it always, eventually, catches up with the performance of Gold and at entry hadn't. Roll on a few hundred percent and it's the talk of the town. Over the month we have reduced position sizes dramatically. However, there are some stark warning signs when silver goes parabolic and Japanese bond yields move aggressively higher.

On the last day of the month Silver dumped 30% pushing all commodities down. We had reduced our silver position twice however we don't believe there is much to read into the price action. It's a small market and when assets go up like a rocket they often fall like a stone. Longer term the demand-supply imbalance has not changed.

Those types of assets can be seen as barometers of fiscal and monetary stability. Ongoing fiscal deficits lead to monetary debasement which naturally favour hard assets like gold and now with the AI bid Silver. For markets this isn't bullish. The first chart highlights the path of the 2yr Japanese government bond. The Japanese economy has strengthened, and the years of deflation look to have finished on top of the BoJ stopping their QE bond buying program. But term premiums have risen and there may be a gathering sovereign risk problem in Japan which risks being a spark to the flame for all bond markets. The answer will be more bond buying and hence more debasement. Until this cycle is broken the outlook for Krugerrand's, Britannia's, Eagles etc. remains bright.

There is undoubtedly a growing bullishness in markets. Since last year's lows the S&P is up 40% and over the last 5 years it's up 80%. According to investor surveys cash levels are at historic low levels as are protection against market falls with investors, overall, the most overweight since December 2024. Recession risks are at their lowest level in 4 years with profit expectations at their highest in 4 years. **These change the risk reward to investing today.** Geopolitical shenanigans haven't flustered the markets with November's Mid-terms perhaps doing the same, however risks are undoubtedly rising. What goes up comes down. Now is the time to go through one's holdings and rationalise.

Strong economies don't always have strong financial markets. We have been adding to commodities and alternative funds for the last 6 months, but commodities have performed in an environment where stocks haven't fallen. Additionally, we have been moving away from US stocks into Emerging and natural resource type funds. Again, these have outperformed in a positive market for US stocks. It's tough to buy fixed income when government deficits and spending are rampant, but investors are underweight. We do like energy which is unloved with an oil price that has been suppressed.

As the last chart highlights. Since the US & EU froze Russian FX reserves in 2022 Gold and Silver have performed. They sent a message to the world that essentially declared that US Treasuries were no longer safe stores of value. The world is turning to Gold and as we are seeing the rules-based system is disintegrating. Precious metals remain under owned yet when everyone on LinkedIn and X are silver experts it pays to be near term cynical, but the long-term trend is very clear.

In summary we are dialing back on our bullishness in markets. We have not reduced positioning, but the mindset is now looking to reduce risk rather than opportunities to add risk. The earnings release by Microsoft was another example where markets were disappointed despite healthy number's – expectations were getting too far. Nvidia has been in a sideways range and underperforming other semiconductors since September. We remain commodity bulls but are very mindful that in down moves correlations across all asset classes can go to +1. Geopolitics isn't being discounted by markets however there is a clear message from the US that change is afoot. The US is looking around and not liking what it sees from its Allies. For what it's worth we think Howard Lubnick is spot on, his speech in Davos was clear. However the US has similar issues, but it appears they are trying to stop the rot. Whether they are successful and voters give them the benefit of the doubt is a discussion for another time. Yet this is a sideshow to markets whereby the risk/reward has changed. The trends are clear, but valuations are looking rich in the short term. Caveat emptor.

J. Loudoun

Chief Investment Officer, Reyl Overseas.

CONTACTS

SWITZERLAND

REYL Overseas Ltd
Talstrasse 65
8001 Zurich
T +41 58 717 94 00
F +41 58 717 93 01

www.reyl-ovs.com

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