

SOVEREIGNTY AT STAKE

VOLATILITY IS THE NEW CURRENCY

Outlook Report – 2026

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Strategy & Corporate Finance Practice



Sovereignty in 2026

The world enters 2026 in contested sovereignty. Energy flows are politicized, alliances are brittle, and technology supply chains are exposed. Volatility is no longer episodic; it has become the climate in which nations, markets, and households must now operate.

The triggers are already visible. Washington's unilateral acts – from Venezuela's oil flows to Greenland's rare earths and the looming confrontation with Iran – signal that supply is no longer market driven but politicized. NATO, strained by Ukraine and fiscal exhaustion, faces the test of alliance trust as U.S. posture unsettles European capitals. And across the Pacific, Beijing hardens its stance toward Taiwan, threatening the arteries of global technology through semiconductors and AI supply chains.

From these triggers, scenarios unfold. Europe may align against Washington if sovereignty is breached and fiscal exhaustion deepens. Fragmented opportunism may dominate if Russia and China exploit U.S. acts without bloc formation. Dual ignition across Taiwan and the Gulf risks systemic rupture, while even restraint leaves the world in fragile equilibrium, pricing uncertainty into every barrel, chip, and currency.

Markets translate these scenarios into sharp contrasts. Oil swings with geopolitics, rare earths surge under Arctic and Taiwan risk, semiconductors choke under disruption, and precious metals remain elevated as capital seeks havens. Equities rotate toward defense and energy, FX fragments along fiscal strain, and inflation embeds unevenly across households and industries. Vigilance defines the drift, but systemic rupture remains a tail risk.

The CVI pulse quantifies this volatility, showing elevated risk premiums across energy, FX, and technology corridors. The MENA lens grounds continuity, revealing how Gulf logistics, food inflation, and capital flight ripple into regional households and diversification projects. Together, they mark the structural nature of uncertainty and the persistence of vigilance across publications.

The compass in 2026 is sovereignty. Institutions must fortify liquidity and industrial lifelines; individuals must anchor themselves in discipline, adaptability, health, and awareness of opportunity hubs. Across all audiences, the message is clear: 2026 is not about waiting for stability, but about navigating contested terrain with clarity and intent.

Introduction

The world enters 2026 not with clarity but with contested signals. Energy flows are politicized, alliances are brittle, and technology supply chains are exposed. What once moved on fundamentals now moves on posture, signaling, and unilateral acts.

The challenge before us is not to predict one event or one actor, but to navigate a climate where volatility itself has become structural. Oil barrels, trade routes, inflation curves, and equity screens no longer respond to market rhythm alone; they respond to sovereignty – who controls flows, who sets standards, and who anchors stability when fundamentals no longer suffice.

This Outlook is written as a compass. It begins with the triggers that unsettle the present – the unilateral

acts of the United States, the tension within NATO, and the hardened posture of China toward Taiwan.

It then moves into scenarios, mapping how alignments, opportunism, or rupture may unfold. From there, it traces the dents across politics and economics, and finally into markets, where volatility embeds itself into every corridor of trade and finance. The journey closes with a market outlook across scenarios, while annexes such as the CVI pulse and the MENA lens mark continuity across publications, and the reflection at the end speaks directly to institutions and individuals about what must be carried forward.

From trigger to outlook, the message is clear: volatility is structural, and sovereignty is the compass.

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Geopolitical tension is on the rise **WHAT IS GOING AROUND?**

Outlook Report – 2026

1. The United States and Its Unilateral Acts

The United States has reasserted itself as the dominant energy and security power across multiple theaters. Since surpassing Saudi Arabia in oil production years ago, Washington has treated fuel flows as a lever of geopolitical influence. Venezuela, long isolated under sanctions, has become a bargaining chip: partial relief and conditional engagement are used to control how much crude enters global markets. This isn't just about barrels — it's about liquidity. By tightening or loosening Venezuela's access, the U.S. signals to investors and rivals alike that **it can set the rhythm of energy pricing**. As a direct result of this act, oil prices dropped by nearly 2%, with U.S. crude closing around \$55 per barrel and Brent near \$60. While this may sound like short-term softness, it is in fact a signal of higher volatility ahead. The reason is structural: supply is now politicized, not market-driven. **Every adjustment in Washington's stance toward Venezuela or other regional producers becomes a volatility trigger.** Traders no longer price oil purely on

fundamentals of demand and production, but on the expectation of unilateral moves. This embeds uncertainty into the market, ensuring that while prices may dip in the near term, the long-term trajectory is one of sharper swings and amplified risk premiums

At the same time, **Greenland has emerged as a flashpoint.** Official statements and military posturing have hinted at U.S. interest in asserting control over the island's strategic resources and Arctic routes. Rare earths, shipping lanes, and the symbolism of Arctic dominance make Greenland more than a curiosity — **it is a stage where unilateral ambition collides with alliance expectations.** The mere threat of action has unsettled European capitals, raising questions about sovereignty and trust within NATO. For Europe, Greenland is not just geography; it is a test of whether the U.S. will act alone or within alliance consensus. The dent here is fiscal and defense strain: European economies already stretched by migration

and military budgets would be forced to divert even more capital into Arctic readiness, embedding volatility into their fiscal balance sheets.

Most pressing, however, is **the looming confrontation with Iran.** Reports suggest that a U.S./Israel strike is close to materializing, aimed at curbing Tehran's nuclear ambitions and proxy networks. Unlike Venezuela or Greenland, Iran is combustible. A strike would reverberate through the Strait of Hormuz, one of the world's most critical energy corridors with existential impact on Oil prices, shipping lanes, and much of the economic infrastructure into the region. While it remains unclear on how Iran would answer to the escalating threats, **real estate booms and diversification projects are yet to test against the shock of war risk and capital flight.** For global markets, the strike could possibly go beyond energy costs, and more likely to spike volatility across FX, metals, and equities.

2. NATO Tension and the European Front

Europe today is squeezed between external confrontation and internal fragility. The war in Ukraine continues to drain resources, with NATO's commitment to Kyiv both binding the alliance and straining its cohesion. Defense budgets have surged across the continent, but the political consensus is brittle. **Southern states wrestle with migration pressures, northern states insist on fiscal conservatism, and the center struggles to hold.**

Into this fragile balance comes the U.S. posture toward Greenland. For Washington, Arctic dominance is strategic; for Europe, it is destabilizing. **The mere suggestion of unilateral U.S. military action has rattled capitals from Copenhagen to Berlin. Greenland is not only symbolic** – it is a hub of rare earths and a gateway to Arctic shipping lanes. If Washington asserts control, Europe faces both sovereignty questions and economic exposure.

The dent here is defense spending and fiscal strain. **European economies are already allocating unprecedented shares of GDP to defense**, crowding out social and infrastructure investment. A Greenland confrontation would accelerate this trend, forcing governments to divert capital into military readiness and Arctic security.

At the same time, investors are increasingly wary of Europe's fragmented response, leading to capital outflows from vulnerable economies and embedding FX volatility alongside fiscal imbalance.

What looks like a geopolitical flashpoint translates directly into both fiscal stress and liquidity asymmetry, widening the north-south divide and embedding volatility into European markets.



3. China and the Threat Toward Taiwan

Across the Pacific, **China's posture toward Taiwan has hardened into a structural contest.** Military exercises, cyber intrusions, and escalating rhetoric are no longer episodic signals – they are embedded in Beijing's strategic narrative. Taiwan is not just territory; it is the keystone of technological sovereignty.

The tangible **dent here is semiconductors and the AI supply chain.** Taiwan's fabs produce the chips that power everything from smartphones to advanced defense systems. They are the backbone of artificial intelligence, cloud computing, and modern manufacturing. Any disruption – invasion, blockade, or cyberattack – would choke global supply. Prices would surge, production lines would stall, and innovation cycles would fracture.

For Beijing, the calculus is sovereignty and leverage. For the rest of the world, it is existential dependence on a fragile island. The threat is not only military – it is economic.

A Taiwan crisis would ripple across industries, embedding volatility into technology markets and forcing capital to scramble for alternatives that cannot be scaled quickly. Investors would rotate toward Korea, Japan, and the U.S. in search of semiconductor resilience, but these hubs cannot absorb demand at Taiwan's scale. The result is not clarity but asymmetry: **capital flight from vulnerable supply chains, liquidity premiums for scarce alternatives, and a structural volatility floor in global technology markets.**

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Coming next, what will happen? **THE FIRST MOVE DISADVANTAGE**

In a fragmented world, the first move rarely wins — it exposes, provokes, and reshapes the economic terrain before alliances can settle. As tensions mount, the question is no longer if a trigger will come, but which will come first. And when it does, the dent will be felt not in speeches, but in oil barrels, trade routes, inflation curves, equity screens, and vaults of gold.

1. U.S. Strike on Iran

If Washington decides on a unilateral strike against Iran, **the impact will extend far beyond the Gulf**. Shipping lanes through the Strait of Hormuz would tighten as tankers queue for clearance, while insurers widen exclusions and raise premiums. Exports from the Gulf would slow, and the rhythm of regional trade would falter. Into this vacuum, the U.S. would step with accelerated Venezuelan flows, using its leverage to dictate supply and pricing. OPEC, once the conductor of the oil narrative, would find itself sidelined until the region steadies.

The reaction of Iran's proxies remains uncertain — ranging from swift submission to scattered counter strikes across the region. But **import dependent MENA economies would feel the blow almost immediately**. Transport costs rise, food pricing climbs, and diversification projects stall under war risk premiums. Real estate markets cool, capital turns selective and short tenored, and even if the strike is brief, the region settles into vigilance

mode: escorts, reroutes, and contingency stockpiles become the new operating baseline.

Europe would wake not to a distant headline but to an energy logistics crisis. Leaders would be forced into emergency coordination — releasing reserves, mitigating insurance shocks, and rerouting cargoes. Defense budgets, already under review, would surge further, widening fiscal deficits and crowding out social spending. Inflation pressure would build in energy linked categories, forcing central banks into a delicate balance between stabilizing prices and protecting fragile growth.

Meanwhile, **Russia and China would seize the opportunity**. Moscow would test NATO's bandwidth, pressing harder in Ukraine and forcing Europe to manage two theaters at once. On the ground, tempo would increase, stretching European tolerance and cohesion. Beijing, more deliberate, would calibrate rather

than leap. Cyber probes on Taiwan's logistics, export controls on critical inputs, and economic outreach to Europe would aim to peel consensus rather than unite it against China. Semiconductors become the choke point: lead times extend, Korea and Japan absorb demand, but cannot fully replace Taiwan's scale.

Across the regions, **the asset impact tilts toward U.S. advantage. Venezuelan oil flows fuel U.S. revenues, CPI pressure in energy linked categories softens** Europe's resistance to U.S. demands, and precious metals — already elevated — circulate capital back into dollar denominated positioning.

The strike on Iran is not just a military ignition. It is a financial tremor, cascading across oil, trade, inflation, equities, and metals, **reshaping the balance of power in ways that ripple far beyond the battlefield.**

2. Trump Proceeds with a Military Act Toward Greenland

If Washington moves from posture to action in Greenland, the tremor will be felt first in Europe. What begins as a strategic assertion over Arctic resources quickly turns into a sovereignty crisis. **Greenland, rich in rare earths and positioned as a gateway to Arctic shipping lanes, becomes more than geography** – it becomes a test of alliance trust.

For Europe, the act is destabilizing. Capitals from Copenhagen to Berlin would be rattled, forced to confront the reality that U.S. unilateralism has crossed into NATO's northern flank. Defense budgets, already strained by Ukraine, would surge again as governments divert capital into Arctic readiness. **Fiscal deficits widen, social programs are crowded out, and the north-south divide deepens. What looks like a military maneuver translates directly into fiscal imbalance and liquidity stress.**

Trade routes through the Arctic would be repriced overnight. **Insurance portfolios would adjust to new risks**, shipping

contracts would be renegotiated, and rare earth **supply chains would fracture as Europe scrambles to secure alternatives.** The dent is not only in defense spending but in industrial planning: green technologies, batteries, and advanced manufacturing all depend on rare earths, and Greenland's contested status would embed volatility into Europe's industrial future.

Russia and China would seize the opening. **Moscow would amplify Arctic signaling, pairing hybrid escalations in Europe with military posturing in the north. China, more subtle, would exploit the rift by offering economic outreach to European industries suddenly exposed to rare earth shortages.** The goal would be to peel Europe away from Washington, not to unify against it.

Markets would translate the act into sharp rotations. European defense equities rally, infrastructure and green tech stall, and fiscal spreads widen as deficits grow. Oil remains steady

compared to an Iran strike, but **rare earths and strategic metals surge, pricing in scarcity and geopolitical risk.** Precious metals hold their elevated levels, but industrial metals take center stage as the Arctic becomes contested ground.

The act on Greenland is not just a military maneuver. It is a sovereignty shock, cascading across defense budgets, trade routes, industrial supply chains, and fiscal balance sheets. **In Europe, it forces a reckoning: whether to absorb the strain alone or confront Washington directly. In markets, it embeds volatility into the very materials that power the future.**

3. China Takes a Step into Taiwan

If Beijing decides to move beyond posture and take a step into Taiwan, the tremor will be felt not only in the Pacific but across the world's industrial arteries. **Unlike the sudden shock of an Iran strike or the sovereignty jolt of Greenland, Taiwan's vulnerability lies in its role as the keystone of technological sovereignty.**

The first signs would not be missiles but blockades and cyber probes. Shipping lanes around the island tighten, logistics networks flicker under digital assault, and **the flow of semiconductors begins to choke.** Taiwan's fabs, the beating heart of global chip supply, falter under pressure. Lead times extend, inventories shrink, and production lines from Seoul to Silicon Valley stall.

For Asia, the dent is immediate. **Korea and Japan absorb redirected demand, but their capacity cannot match** Taiwan's scale. Industrial schedules stretch, costs rise, and governments scramble to secure alternative supply chains. The region's

trade rhythm slows, and inflation creeps into technology linked categories — from consumer electronics to defense systems.

Europe, already strained by energy shocks and defense spending, faces a new crisis. **The semiconductor choke ripples into automotive, aerospace, and advanced manufacturing.** Inflation builds not from oil but from chips, forcing leaders to weigh subsidies, stockpiles, and emergency industrial policy. Defense budgets edge higher again, this time to secure cyber resilience and supply chain security.

The **U.S. finds itself both pressured and advantaged.** Domestic fabs gain strategic importance, capital flows into chip infrastructure, and equities rotate toward defense and cybersecurity. Yet the disruption also raises costs across industries, embedding volatility into innovation cycles.

Russia, opportunistic as ever, exploits the distraction. Ukraine's tempo increases,.

hybrid attacks intensify, and NATO bandwidth is stretched thin. Moscow's calculus is simple: while the West scrambles to secure chips, Russia presses harder on Europe's eastern flank.

Markets translate the move into sharp contrasts. **Semiconductor equities plunge, defense and cybersecurity rally, and volatility spreads across tech indices.** Inflation rises in technology linked categories, while precious metals hold their elevated levels as investors hedge against systemic disruption. Palladium and rare earths surge, reflecting their role in electronics and defense.

China's step into Taiwan is not just a military maneuver. **It is a choke on the arteries of modern industry, cascading across trade, inflation, equities, and metals.** The dent is systemic: innovation slows, costs rise, and capital scrambles for alternatives that cannot scale quickly. The first move exposes more than it secures, leaving the world to navigate a fractured technological future

4. Trump Backs Off

If Washington chooses restraint – **holding firm in posture but avoiding a strike** – the world settles into a fragile equilibrium. The signals remain sharp, but the **absence of action leaves opponents guessing** whether the threat is real or simply theater.

In the Gulf, shipping lanes continue under heightened vigilance, but without the shock of disruption. Tankers move with caution, insurers keep premiums elevated, and escorts remain a precaution rather than a necessity. **OPEC regains some space to recalibrate**, though its narrative is muted by the shadow of U.S. leverage through Venezuelan flows. The oil rhythm steadies, but the **market prices in uncertainty rather than clarity**.

Across MENA, the pause feels temporary. Transport costs remain high, food pricing pressured, and diversification projects advance slowly under the weight of risk premiums. Real estate and capital flows recover only partially, as investors hesitate

to commit long tenor funds in a region where the threat of escalation lingers. Vigilance becomes the baseline, even without a strike.

Europe breathes a sigh of relief but not of confidence. Leaders continue to debate energy security, defense budgets, and fiscal strain, but without the urgency of a crisis. **Reserve releases are postponed, insurance portfolios stabilize, and cargoes flow with fewer reroutes.** Yet the posture itself – the constant reminder of unilateral U.S. power – keeps Europe uneasy. Deficits remain stretched, and the political consensus fragile.

Russia and China exploit the ambiguity. Moscow maintains hybrid pressure in Ukraine, probing NATO's tolerance without triggering a full rupture. Beijing calibrates its moves, sustaining military exercises and cyber probes around Taiwan, but avoids escalation. Both prefer to let the U.S. posture erode credibility over time, using the lull to strengthen their own positions.

Markets reflect the pause with muted volatility. **Oil trades in a narrow band, Venezuelan flows cushioning supply.** Inflation pressures ease slightly but remain embedded in energy linked categories. Equities rotate cautiously: energy and defense hold value, while airlines and logistics recover modestly. Precious metals, already elevated, stabilize as investors hedge against the possibility that restraint today may not hold tomorrow.

Backing off is not a return to stability. It is a holding pattern, where posture without action sustains fragmentation but fails to resolve it. The dent is softer than a strike, but the uncertainty remains – embedded in oil, trade, inflation, equities, and metals, waiting for the next move to break the silence.

Scenario's on the outlook

U.S. Posture	Trump Backs Off	1A <i>Low Likelihood</i> EU + Ru + Ch align rhetorically, trade blocs form, USD retains leverage.	1B <i>Unlikely</i> Fragile Equilibrium Oil steady, FX muted, equities cautious	1C <i>Unlikely</i> restraint prevents full war mobilization.	1D <i>China acts + U.S. backs off</i> U.S. exploits Venezuelan oil; China/Russia dominate chip supply chain
	Washington Stands Firm	2A <i>Low Likelihood</i> EU + Ru + Ch align on sanctions fatigue, trade war risk rises.	2B <i>Current drift continues</i> Volatility embedded, fragmentation persists.	2C <i>Tail Risk – Unlikely</i> signaling alone doesn't trigger war footing.	2D <i>China acts + U.S. stands firm</i> Elevated tension; indecisive waiting game; tech inflation persists
	Trump Moves Forward	3A <i>Likelihood</i> Oil steady, FX muted, equities cautious	3B <i>Unlikely but still possible</i> U.S. acts (Iran/Greenland). Opportunism by Ru/Ch. Markets fracture: oil, chips, metals.	3C <i>Extreme Tail</i> three polar war. Multi theater kinetic conflict, systemic market collapse..	3D <i>China & U.S. Moves Forward</i> Dual ignition (Taiwan + Iran/Greenland) → systemic escalation, tail risk of 3C
		The world Alignment		China Posture	
		EU–Ru–Ch Align	Fragmented (status quo)	Three Polar Confrontation	China Moves Forward (Taiwan)

3 | Triggering the Axis WHAT MOVES THE WORLD?

Chances for Trump to back off or stand firm amidst the turmoil are extremely low. His posture, already exemplified through the Venezuela act, signals a forward trajectory — one that seeks to reassert U.S. dominance across energy, trade, and strategic geography. The question now is not whether he moves, but how the world responds

3A. Europe Aligns with Russia and China

Europe’s alignment against Washington is not ideological — it’s circumstantial. It would require a convergence of pressure points that leave EU capitals with no viable alternative but to hedge against U.S. unilateralism.

1. Sovereignty breach

A U.S. strike on Greenland without NATO consensus would be seen as a **violation of alliance trust**. If Washington bypasses Brussels and acts alone, European leaders may interpret it as a signal that the transatlantic bond is conditional, not foundational.

3. Strategic leverage from China & Russia

Beijing offers industrial lifelines: semiconductors, infrastructure, and trade. Moscow pressures energy corridors. If **Washington’s posture isolates Europe economically**, alignment becomes a survival mechanism, not a betrayal.

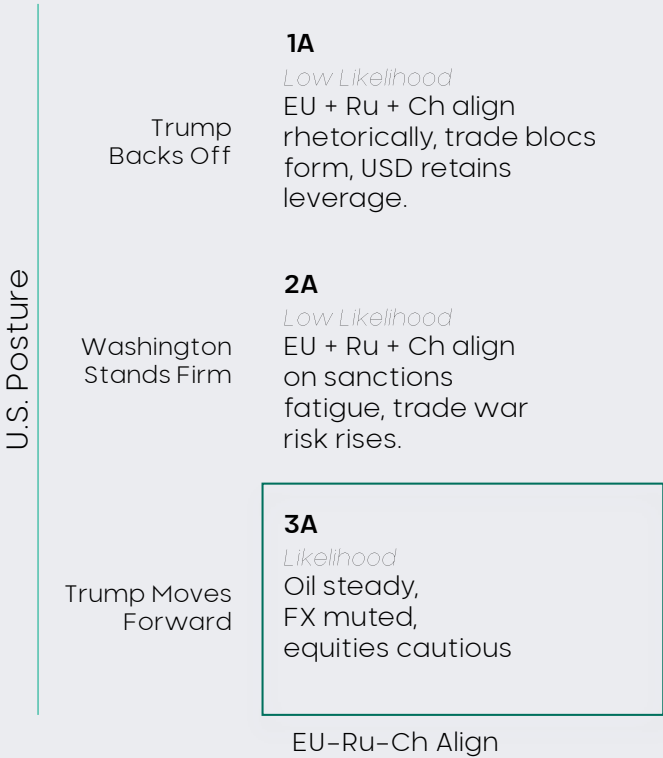
2. Economic exhaustion

Defense budgets have surged, migration pressures remain unresolved, and inflation continues to erode purchasing power. If a U.S. act **triggers further fiscal strain** — through rare earth disruption or Arctic trade volatility — Europe may seek relief through alternative blocs.

4. Diplomatic fragmentation

If Trump sidelines traditional diplomacy and treats **Europe as a subordinate rather than a partner**, EU capitals may pivot rhetorically or economically toward Russia and China — not to oppose Washington, but to balance it.

Scenario Case



3B. The World remains Fragmented

Fragmentation prevails when no bloc forms, no alliance coheres, and each actor pursues advantage in isolation. While it is unlikely to happen, the world may remain fragmented against the US moves if the following triggers align.

1. U.S. Moves Without Consensus

A strike on Iran or a sovereignty act in Greenland proceeds without NATO alignment, signaling **unilateralism but not bloc formation**. Allies hesitate, not unite.

2. Europe Stalls in Response

Fiscal exhaustion, political fragmentation, and migration pressures prevent a unified European stance. **Northern states resist spending, southern states absorb inflation, and the center fails to coordinate.**

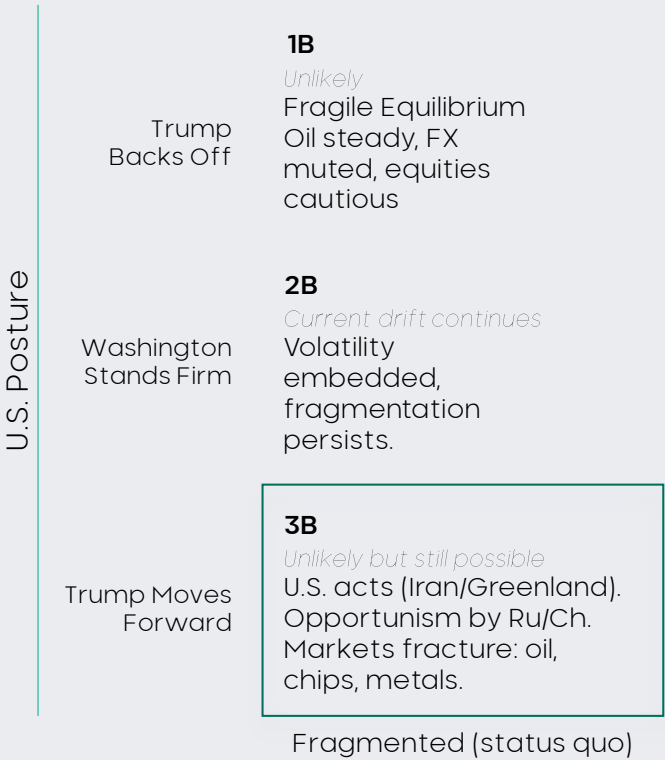
3. Russia and China Exploit the Vacuum

Moscow intensifies hybrid pressure in Ukraine, **testing NATO's bandwidth**. Beijing calibrates – cyber probes, rare earth leverage, and economic outreach – not to escalate, but to fragment consensus.

4. No Bloc, No Alignment

Europe does not pivot toward Washington, nor align with Russia and China. Instead, it **absorbs shocks unevenly**, reinforcing fragmentation.

Scenario Case



3CD. Duality or China stepping forward

If China moves on Taiwan earlier to or while the U.S. strikes Iran or asserts control over Greenland, the world faces multi-theater escalation. Beijing's calculus is strategic, not reactive. A move on Taiwan would be driven by timing, leverage, and internal necessity.

1. Strategic timing

If the U.S. is distracted by Iran or Greenland, **Beijing may see a window to act** while Washington's bandwidth is split

2. Domestic consolidation

Economic slowdown, youth unemployment, and internal dissent push **Beijing to rally nationalism**. Taiwan becomes the rally point.

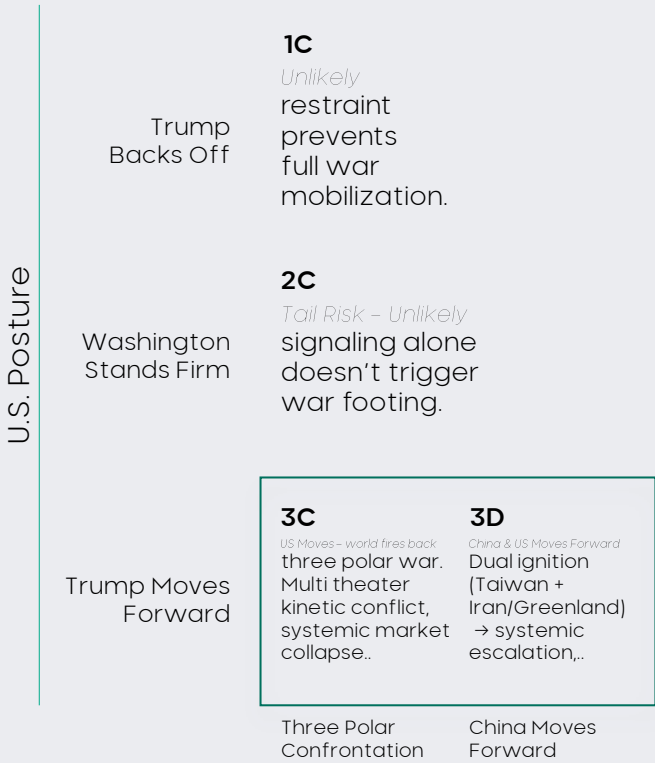
3. Technological sovereignty

Taiwan's fabs are the crown jewel of global chip supply. If **Beijing fears containment or sanctions**, it may move to secure control before alternatives scale.

4. U.S. provocation

If **Washington deepens ties with Taipei – military drills, diplomatic recognition, or tech transfers** – Beijing may interpret it as a red line breach.

Scenario Case



4

The Situation Today FRAGILE EQUILIBRIUM

We are in state of status quo: a fragile equilibrium defined by vigilance, not collapse. Minor deviations – proxy strikes, cyber probes, insurance shocks – ripple through markets but do not yet break the drift. The world prices uncertainty into oil, trade, inflation, equities, and metals, waiting for the next ignition.

The situation Today – Fragile Equilibrium

The world today sits in a drift, not collapse. The U.S. move to partially ease sanctions on Venezuela and accelerate crude flows softened oil prices in the short term, but embedded volatility into the long term. Supply is no longer purely market driven; it is politicized. Every adjustment in Washington's stance toward Venezuela now acts as a volatility trigger.

Equities reflect resilience but caution. The Dow and S&P hold steady, signaling confidence in U.S. industrial and broad market strength. Yet the NASDAQ shows fragility, weighed down by semiconductor uncertainty and tech's exposure to Taiwan. Investors rotate into defense and energy, while airlines and logistics recover modestly.

Precious metals remain elevated. Gold, already north of \$4,000, continues to attract safe haven flows. Silver follows, buoyed by both haven demand and industrial hedging. Rare earths and

palladium show upward pressure, reflecting Arctic and Taiwan risks.

FX markets tell the same story of vigilance. The dollar remains firm, supported by Venezuelan leverage and safe haven demand. The euro trades fragile, pressured by fiscal strain and energy uncertainty. The yen holds as a secondary haven, especially during tech volatility. Emerging currencies remain under pressure, reflecting capital flight from risk sensitive economies.

Inflation is sticky. Energy linked categories remain elevated, food prices pressured by transport costs, and consumer purchasing power eroded unevenly across regions. Sovereigns continue to fund support programs, but fiscal space is narrowing

Illustrative Data – Late 2025

Asset / Index	Level <i>Approx</i>	Recent Trend
U.S. Crude (WTI)	\$55/barrel	Softened
Brent Crude	\$60/barrel	Softened, then stabilized
Dow Jones	~49,266	+0.55%
S&P 500	~6,921	Flat
NASDAQ	~23,480	-0.44%
Gold	>\$4,000/oz	Elevated
USD Index (DXY)	Firm	Stable
EUR	Fragile	Pressured
JPY	Steady	Haven



What would be the Impact
of unfolding events ?

3A. Alignment Against the U.S.

In the event where Washington presses forward and Europe decides to shift toward alliance with Russia and China — driven by sovereignty breaches, fiscal exhaustion, and the lure of industrial lifelines — the market narrative changes fundamentally.

Bloc formation fractures global liquidity. Trade routes harden, rare earths and semiconductors become bargaining chips, and Europe's fiscal balance tilts further under defense and industrial strain. The U.S. retains energy leverage but loses narrative dominance as Europe hedges toward Eurasia. Capital flows no longer move freely; they follow political lines.

This is not Europe choosing sides out of ideology, but Europe choosing survival under pressure. Markets will read it in defense rallies, input spikes, FX stress, and the erosion of purchasing power.

Alignment against Washington is not Europe's ambition, it is Europe's survival instinct. If sovereignty is breached and fiscal exhaustion deepens, bloc formation becomes less a choice and more a necessity.

Markets will not wait for speeches — they will translate alignment into defense rallies, rare earth spikes, FX stress, and the erosion of household purchasing power.

The dent here is systemic: capital no longer flows freely, liquidity becomes political, and inflation embeds itself into the arteries of Europe's industrial future. What begins as a sovereignty shock evolves into a structural fracture, where the price of survival is paid in deficits, volatility, and diminished consumer resilience

Area	Expected Outcome
Equities	European defense contractors rally; autos/green tech stumble; U.S. tech faces sanction risk; Korea/Japan gain selective inflows
Precious Metals & Inputs	Gold firm; palladium, platinum, rare earths spike; copper/nickel volatile
FX & Rates	USD retains haven flows but loses some dominance; EUR pressured by deficits; CNY gains leverage in bloc trade; EU sovereign spreads widen
Inflation & Purchasing Power	Europe CPI re-accelerates via inputs/logistics; U.S. inflation manageable but tech costs rise; global food/transport costs drift higher
Capital Flows	Rotation into bloc-aligned assets; capital flight from vulnerable EU economies; liquidity premiums rise

3B. U.S. Moves, the World Watches

In the event where Washington presses forward – whether through a strike on Iran or a sovereignty move in Greenland – but the world remains fragmented, opportunism becomes the defining feature. Russia exploits NATO bandwidth, pressing harder in Ukraine. China calibrates its moves, probing Taiwan’s logistics and tightening rare earth leverage. Europe absorbs the shock unevenly, with northern states insisting on fiscal conservatism while southern economies strain under inflation and migration.

Markets fracture along sectoral lines. Energy majors and defense contractors rally, airlines and logistics slump, and semiconductor volatility rises as opportunism spreads. The U.S. gains near term leverage through Venezuelan oil flows and defense equities, but the fragmentation embeds volatility into

every corridor of trade and finance.

This is not bloc alignment – it is opportunistic fragmentation. Each actor pursues its own advantage, leaving markets to price uncertainty without clarity.

Fragmentation is not stability; it is opportunism. When Washington acts and the world remains divided, each pole exploits the vacuum. Russia presses, China calibrates, Europe absorbs strain, and markets fracture. The dent is not in alignment but in asymmetry: energy and defense surge, transport and tech falter, currencies wobble, and inflation embeds itself into households.

This is the world pricing uncertainty without clarity – a drift where every sovereign struggles to fund resilience against opportunistic disruption.

Area	Expected Outcome
Equities	Broad risk off; semiconductors plunge; defense/cybersecurity surge; cyclicals collapse
Precious Metals & Inputs	Gold surges beyond norms; silver follows; palladium/rare earths spike
FX & Rates	USD and JPY soar; EUR weakens sharply; EM FX collapse; sovereign spreads widen
Inflation & Purchasing Power	Dual CPI shock: energy + technology; consumer prices surge globally; sovereigns lose fiscal space
Capital Flows	Extreme flight to safety; liquidity concentrates in havens; sovereign support curtailed

3CD. The World Falls Apart

In the event where China moves on Taiwan and Washington simultaneously presses forward in Iran or Greenland, the world enters systemic rupture. This is not opportunism or bloc alignment — it is multi theater ignition. Europe is forced into kinetic readiness, NATO bandwidth fractures, Russia escalates in Ukraine, and China hardens its Pacific posture. The three poles mobilize not just militarily, but economically and digitally.

Supply chains collapse across the arteries of modern industry: oil from the Gulf, semiconductors from Taiwan, rare earths from Greenland. Inflation spikes in both energy and technology categories, consumer prices surge globally, and sovereigns lose fiscal space to support households. Capital flees into havens, but even havens strain under systemic stress.

Markets translate the rupture into broad risk off. Equities tumble across cyclicals, semiconductors plunge, defense and cybersecurity surge, and liquidity preference dominates. Gold surges beyond safe haven norms, silver follows, palladium and rare earths spike. FX markets fracture: USD and JPY soar, EUR weakens sharply, emerging currencies collapse. Sovereign spreads widen, credit markets seize, and purchasing power erodes across regions.

This is a three polar confrontation: the world falls apart not in speeches, but in barrels, chips, metals, and currencies. The dent is systemic, cascading across every corridor of trade and finance.

The dent is total — a world where the first move exposes more than it secures, and the cascade leaves no corridor untouched

Area	Expected Outcome
Equities	Energy majors and defense contractors rally; airlines, logistics, and EM equities slump; semiconductor volatility rises
Precious Metals & Inputs	Gold strengthens further; silver follows; industrial metals volatile under opportunistic supply shifts
FX & Rates	USD gains on safe haven demand; EUR weakens under energy shock; EM currencies depreciate
Inflation & Purchasing Power	CPI pressure builds in energy linked categories; food inflation rises in MENA; consumer power erodes unevenly
Capital Flows	Flight to U.S. assets; Europe and MENA see capital outflows; sovereigns struggle to fund support programs

5

Eye on the Market **EXISTENTIAL SCRUTINY**

Outlook Report – 2026

1. Equities

Equities today hover in a fragile balance, moving sideways with volatility. This means they are not trending decisively upward or downward, but instead oscillate within a range, reacting sharply to headlines before settling back into caution. Investors rotate between sectors depending on the news of the day, yet the broad market neither collapses nor rallies. In this drift, defense contractors, energy majors, and dividend heavy industrials hold their ground and even gain modestly, while high duration technology names and airlines or logistics companies struggle under the weight of supply chain uncertainty and cost pressures. In such conditions, the prudent course is to maintain exposure but tilt portfolios toward resilient sectors, avoiding over concentration in fragile technology.

If Washington presses forward while the rest of the world remains fragmented, the market shifts into opportunism. Russia would press harder in Ukraine, China would

probe Taiwan's supply chains, and Europe would absorb uneven shocks. Equity markets fracture along sectoral lines: defense and energy surge as investors seek shelter in hard assets and security, utilities hold their value as stable cash flow businesses, but airlines, logistics, emerging market equities, and semiconductor names suffer under the strain of disrupted trade and opportunistic exploitation. In this environment, portfolios should be reduced in breadth, concentrated in selective defense and energy names, and buffered with cash to withstand volatility.

If the world falls apart — the extreme tail where China moves on Taiwan and the U.S. simultaneously strikes Iran or Greenland — equities enter systemic rupture. Multi theater escalation drives broad risk off behavior. Defense and cybersecurity thrive, select energy majors remain resilient, but cyclicals collapse, semiconductors plunge, consumer discretionary evaporates, and emerging

markets unravel. In such a scenario, equity risk must be minimized; capital should be preserved in havens, with only tactical exposure to defense and energy as functional hedges.

Where Washington acts and Europe shifts toward Russia and China, bloc alignment creates selective resilience. European defense contractors rally on fiscal rearmament, U.S. energy majors benefit from supply leverage, and Korea and Japan's semiconductor hubs attract inflows as neutral alternatives. Yet EU autos, green technology, and U.S. export dependent tech falter under trade friction and input scarcity. In this case, portfolios should rotate toward defense and energy, reduce exposure to EU industrials, and keep selective Asia semiconductor positions as a hedge against Taiwan risk.

Defense and Energy rise across all scenarios, proving themselves existential winners.

Equities across scenarios reveal a spectrum: sideways drift today, selective resilience under bloc alignment, opportunistic fracture under fragmentation, and systemic collapse if the world falls apart. The constants are clear — defense and energy remain winners across all paths, while semiconductors, airlines, and cyclicals carry the greatest vulnerability. The broad outlook is defensive: portfolios must be managed with caution, tilted toward resilience, and prepared for volatility

Equity Segment	Scenario 3A (Bloc Alignment)	Scenario 3B (Fragmented Opportunism)	Scenario 3CD (World Falls Apart)
Defense	↑ Up	↑ Up	↑ Up
Energy	↑ Up (U.S. majors benefit)	↑ Up (energy surge)	↑ Up (select majors only)
Semiconductors	↔ Mixed (Asia selective gain)	↓ Down (supply chain stress)	↓ Collapse
Airlines/Logistics	↓ Down	↓ Down	↓ Collapse
Consumer Cyclicals	↔ Mixed/Down	↓ Down	↓ Collapse
Utilities	↔ Neutral	↔ Hold value	↔ Mixed (resilient but pressured)
Green Tech/Autos	↓ Down (EU strain)	↓ Mixed/Down	↓ Collapse

2. Precious Metals

Precious metals today sit at elevated but steady levels, reflecting the fragile equilibrium of global markets. Gold remains firm above historical norms, acting as the anchor of safe haven demand. Silver follows, buoyed both by investor hedging and industrial use in electronics and energy. Palladium and rare earths show upward pressure, driven by supply chain anxieties around Taiwan and Greenland. In this drift, investors maintain core allocations to gold and silver, while keeping a cautious eye on volatility in industrial metals. The prudent course is to hold steady exposure, using gold as a hedge and silver as a secondary ballast.

If Washington presses forward while the world remains fragmented (Scenario 3B), opportunism defines the metals trade. Russia and China exploit supply chains, Europe absorbs uneven shocks, and investors rotate aggressively into havens. Gold strengthens further, silver follows, and industrial metals swing violently as

opportunistic supply disruptions ripple through markets. In this environment, portfolios should increase gold exposure, add silver tactically, and manage industrial metals with caution.

If the world falls apart (Scenario 3CD), dual ignition drives systemic rupture across commodities. Oil, chips, and rare earths choke simultaneously, and inflation surges. Gold breaks beyond safe haven norms, silver rallies in tandem, and palladium and rare earths spike as scarcity assets. In this scenario, precious metals are not just hedges — they become survival assets. Portfolios should maximize gold holdings, preserve liquidity in silver, and consider exposure to strategic inputs through producers or ETFs.

Where Washington acts and Europe shifts toward Russia and China (Scenario 3A), bloc alignment weaponizes inputs. Rare earths, palladium, and platinum surge as trade blocs tighten control, while gold

remains firm as systemic risk persists. Silver holds steady but volatile, reflecting its dual role as haven and industrial metal. In this case, portfolios should rotate into strategic inputs, maintain gold as a core hedge, and avoid over exposure to volatile industrial metals without clear supply visibility.

Precious metals across scenarios reveal a spectrum: elevated stability today, opportunistic strength under fragmentation, weaponized scarcity under bloc alignment, and systemic surge if the world falls apart.

The constants are clear — gold remains firm across all paths, silver tracks gold with industrial volatility, and palladium/rare earths become existential assets under stress. The broad outlook is defensive: portfolios must anchor in gold, use silver tactically, and treat strategic inputs as scarcity hedges in a fractured world.

Precious Metals Segment	Scenario 3A (Bloc Alignment)	Scenario 3B (Fragmented Opportunism)	Scenario 3CD (World Falls Apart)
Gold	↑ Firm	↑ Stronger	↑↑ Surges beyond norms
Silver	↔ Volatile / Up	↑ Follows gold	↑↑ Strong rally
Palladium / Platinum	↑↑ Spike (weaponized inputs)	↑ Volatile / Up	↑↑ Extreme spike
Rare Earths	↑↑ Surge (bloc control)	↑ Volatile / Up	↑↑ Scarcity asset
Industrial Metals	↔ Volatile / Down	↔ Volatile	↓ Collapse in trade, selective spikes

3. FX & Rates

Currencies today sit in a fragile but firm balance. The U.S. dollar remains strong, supported by Venezuelan oil leverage and safe haven demand. The euro trades fragile, pressured by fiscal strain and energy uncertainty, while the yen holds steady as a secondary haven, especially during tech volatility. Emerging market currencies remain under pressure, reflecting capital flight from risk sensitive economies. Sovereign spreads are contained but show episodic widening, reminding investors that liquidity premiums are never far away. In this drift, portfolios should balance USD and JPY exposure, keep minimal risk in EU peripheries, and manage duration cautiously.

If Washington presses forward while the rest of the world remains fragmented (Scenario 3B), opportunism defines FX and rates. The dollar strengthens further as investors flee to safety, the euro weakens under energy shocks, and emerging

market currencies depreciate sharply. Basis wideners reappear, sovereign spreads widen selectively, and credit markets show strain. In this environment, portfolios should overweight USD, reduce EUR exposure, and avoid EM local debt, keeping duration short and liquidity high.

If the world falls apart (Scenario 3CD), currencies fracture under systemic rupture. The dollar and yen surge as ultimate havens, the euro weakens sharply, and emerging market currencies collapse outright. Sovereign spreads widen dramatically, credit markets seize, and liquidity evaporates. In such a scenario, portfolios must minimize risk, concentrate in USD and JPY, and preserve capital in short duration, high quality instruments.

Where Washington acts and Europe shifts toward Russia and China (Scenario 3A), bloc alignment fragments FX markets. The dollar retains haven flows but loses some

dominance, the euro is pressured by deficits and industrial choke points, and the yuan gains leverage within bloc trade. European periphery spreads widen, liquidity premiums rise, and sovereign credit stress intensifies. In this case, portfolios should diversify havens across USD, JPY, and gold, avoid EU periphery debt, and keep liquidity ladders intact.

FX and rates across scenarios reveal a spectrum: firm but fragile today, opportunistic stress under fragmentation, bloc driven fragmentation under alignment, and systemic fracture if the world falls apart. The constants are clear — USD and JPY remain havens across all paths, the euro bears the brunt of fiscal and energy strain, and emerging market currencies are most vulnerable.

The broad outlook is defensive: portfolios must anchor in havens, avoid periphery risk, and manage duration with caution.

FX Segment	Scenario 3A (Bloc Alignment)	Scenario 3B (Fragmented Opportunism)	Scenario 3CD (World Falls Apart)
USD	↑ Firm (haven, less dominant)	↑ Stronger (safe-haven demand)	↑↑ Surge (ultimate haven)
EUR	↓ Pressured (deficits, inputs)	↓ Weak (energy shock)	↓↓ Sharp weakening
JPY	↑ Steady (secondary haven)	↑ Strong (hedge vs. tech volatility)	↑↑ Surge (core haven)
CNY	↑ Gains bloc leverage	↔ Mixed	↓ Pressured under systemic stress
EM FX	↓ Down (capital flight)	↓↓ Depreciation	↓↓↓ Collapse
Sovereign Spreads	↑ Widen (EU periphery)	↑ Selective widening	↑↑ Extreme widening
Rates / Credit	↑ Liquidity premiums rise	↑ Basis widenings, credit strain	↑↑ Credit markets seize

4. Liquidity

Liquidity today is intact but cautious. Capital flows remain functional, issuance continues, and bid ask spreads are contained, yet every corridor carries a volatility premium. Investors rotate into havens, sovereigns fund support programs, and corporates tap markets — but the ease of access is thinner than it looks. This is the drift: liquidity is available, but it is political, episodic, and fragile. The prudent stance is to maintain ladders of liquidity, avoid leverage, and keep dry powder ready.

If Washington presses forward while the rest of the world remains fragmented (Scenario 3B), opportunism defines liquidity. Flight to U.S. assets intensifies, Europe and MENA see capital outflows, and sovereigns struggle to fund support programs. Issuance volumes fall, spreads widen selectively, and liquidity pools concentrate in havens. In this environment, portfolios should reduce exposure to peripheries, overweight U.S. quality, and

keep cash buffers high.

If the world falls apart (Scenario 3CD), liquidity enters systemic stress. Extreme flight to safety concentrates capital in USD, JPY, and gold. Credit markets seize, sovereign spreads widen dramatically, and issuance collapses. Liquidity premiums surge, bid ask spreads widen, and rationing becomes the norm. In such a scenario, portfolios must maximize liquidity, minimize credit risk, and preserve capital in short duration, high quality instruments.

Where Washington acts and Europe shifts toward Russia and China (Scenario 3A), bloc alignment fragments liquidity. Capital rotates into bloc aligned assets, flight from vulnerable EU economies accelerates, and liquidity premiums rise across peripheries. Sovereigns face higher funding costs, corporates lose access, and capital markets bifurcate along political lines. In this case, portfolios should diversify

havens, avoid exposed sovereigns, and focus on cash flow quality

Liquidity across scenarios reveals a spectrum: intact but fragile today, opportunistic concentration under fragmentation, bloc driven bifurcation under alignment, and systemic seizure if the world falls apart. The constants are clear — havens attract capital across all paths, peripheries lose access, and sovereigns face rising costs.

The broad outlook is defensive: portfolios must preserve liquidity, avoid leverage, and prepare for rationing in stress scenarios.

Liquidity Segment	Scenario 3A (Bloc Alignment)	Scenario 3B (Fragmented Opportunism)	Scenario 3CD (World Falls Apart)
Capital Flows	Fragmented, bloc rotations	Flight to U.S. assets	Extreme flight to havens
EU Periphery Access	↓ Funding costs rise	↓ Outflows intensify	↓↓ Collapse in access
Issuance Volumes	↓ Lower, selective	↓ Falling issuance	↓↓ Issuance collapse
Bid-Ask Spreads	↑ Wider premiums	↑ Selective widening	↑↑ Extreme widening
Credit Markets	↑ Stress, bifurcation	↑ Strain, uneven access	↑↑ Seizure, rationing

5. Inflation & Purchasing Power

Inflation today is sticky but uneven across regions. In the United States, energy linked categories remain elevated, yet consumer resilience holds thanks to wage growth and fiscal buffers. Europe faces persistent CPI pressure from energy and industrial inputs, eroding household purchasing power and straining sovereign budgets. In Asia, inflation is mixed: Japan remains subdued, while China manages inflation through controls but faces hidden consumer strain. Emerging markets, particularly in MENA and Africa, feel the sharpest pain in food and transport costs, where subsidies are stretched thin. In this drift, inflation is manageable but persistent, and households adapt through reduced discretionary spending.

If Washington presses forward while the rest of the world remains fragmented (Scenario 3B), opportunism drives inflation higher. Energy shocks ripple through Europe, food inflation rises in MENA, and emerging markets face currency

depreciation that magnifies import costs. The U.S. absorbs inflation through energy leverage but sees rising tech costs. Asia bifurcates: Japan benefits from haven flows, while China faces consumer strain as supply chains wobble. Purchasing power erodes unevenly, with Europe and MENA households hit hardest. In this environment, sovereigns struggle to fund subsidies, and inequality widens.

If the world falls apart (Scenario 3CD), inflation surges globally in a dual shock: energy from the Gulf and technology from Taiwan. The U.S. faces broad CPI escalation, Europe suffers systemic consumer erosion, Asia collapses under semiconductor scarcity, and emerging markets endure food and fuel crises. Purchasing power evaporates across regions, sovereigns lose fiscal space, and households face rationing. Inflation is no longer sticky — it is systemic, embedded into daily survival.

Where Washington acts and Europe shifts toward Russia and China (Scenario 3A), bloc alignment weaponizes inputs. Europe faces re accelerating CPI through rare earths, palladium, and industrial choke points. The U.S. manages inflation better, leveraging energy flows, but tech costs rise. Asia sees selective relief through bloc trade, with China stabilizing inputs while Japan absorbs volatility. Emerging markets remain exposed, particularly in food and transport, as bloc fragmentation raises costs. Purchasing power diverges: Europe suffers most, the U.S. holds relative resilience, Asia adapts unevenly, and EM households struggle.

Energy and food remain the arteries of inflation, tech costs rise under supply chain stress, and emerging markets bear disproportionate pain. The broad outlook is defensive: households adapt through reduced discretionary spending, sovereigns stretch subsidies, & purchasing power erodes unevenly across regions.

Region	Scenario 3A (Bloc Alignment)	Scenario 3B (Fragmented Opportunism)	Scenario 3CD (World Falls Apart)
United States	↑ Manageable, energy leverage offsets; tech costs rise	↑ CPI builds in energy/tech; resilience holds	↑↑ Broad CPI surge, consumer erosion
Europe	↑↑ Re-accelerates via inputs, rare earths, industrial choke points	↑ Energy shock drives CPI higher, households strained	↑↑ Systemic consumer erosion, rationing
Asia (Japan)	↔ Subdued but volatile; absorbs bloc shocks	↑ Haven flows stabilize, but volatility persists	↑↑ Semiconductor scarcity drives CPI surge
Asia (China)	↑ Stabilizes inputs via bloc trade; hidden strain	↑ Consumer strain from supply chain wobble	↑↑ Collapse in consumer resilience
MENA	↑ Food/transport costs rise under bloc fragmentation	↑↑ Food inflation spikes, subsidies stretched	↑↑ Crisis in food/fuel, households collapse
Africa/EM	↑ Exposure to food/transport shocks	↑↑ Currency depreciation magnifies import inflation	↑↑ Severe erosion, systemic household pain



Market Update CVI PULSE – January 2026

Our previous publication framed the world through scenario tables and existential scrutiny. Today, we return to that same structure — not to revise it, but to activate it. The equity winners we identified (defense, energy) are now leading. The liquidity fractures we warned of (periphery stress, issuance strain) are now visible. The inflation corridors we mapped (energy, tech, food) are now pricing in. This is the power of the CVI: it is not a forecast, it is a living map. And today, that map shows a world oscillating between S1 and S2 — a corridor of caution, fragmentation, and selective resilience.

CVI Pulse — January 2026

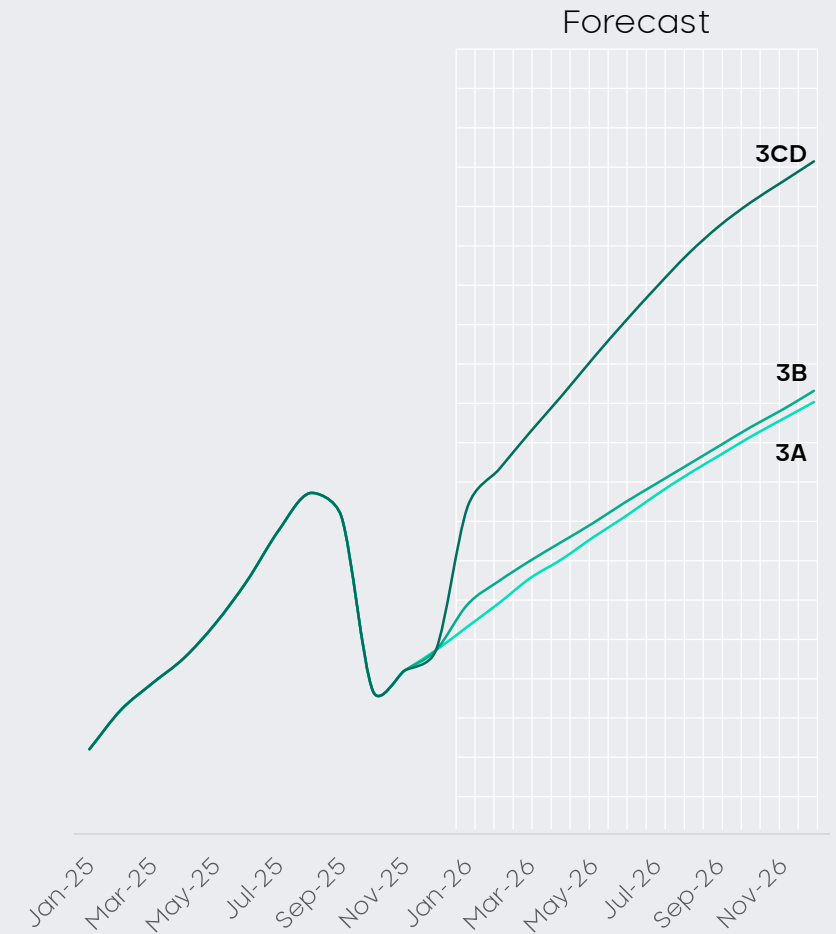
The world today swings between S1 and S2 — a corridor of rising tension and uneven liquidity. This is not a new chapter, but a continuation of the arc we mapped months ago. Back then, our CVI table framed the world through nine scenarios: a matrix of geopolitical tension and liquidity conditions. Today, that matrix is no longer theoretical — it is active.

We are not in rupture, but we are not in relief either. The CVI sits elevated, reflecting persistent U.S.–China friction, regional instability, and emerging market liquidity stress. This is the S1 signature: classic flight-to-safety, where capital concentrates in havens, volatility rises, and risk assets struggle to hold ground. Yet we also see signs of S2: fragmented rotation, where developed markets maintain liquidity buffers, and investors selectively re-enter risk with caution.

This duality is visible in the data. Bitcoin and gold will continue to rise, signaling hedging behavior. The S&P 500 shows resilience, but its gains are modest and sectoral. CVI values remain high — not spiking, but refusing to fall. This is a market that breathes tension, not panic; rotation, not collapse.

The CVI is not just a volatility index — it is a compass. It tells us where tension lives, where liquidity flows, and where markets breathe. Today, it points to a world in strategic hesitation: not collapsing, not recovering, but rotating through risk with surgical caution.

As we move forward, our publication series will continue to track this pulse — scenario by scenario, corridor by corridor — so investors can read the world not just in headlines, but in structure.



CVI Path

CVI Path 3A — Bloc Alignment

This is the disciplined ascent. The world doesn't collapse, but it doesn't unify either. Washington acts, Europe pivots, and bloc formation fractures liquidity. The CVI rises steadily — not in panic, but in structural tension.

Markets price in weaponized inputs: rare earths, palladium, semiconductors. Sovereign spreads widen, capital flows fragment, and volatility embeds itself into trade corridors. Investors rotate cautiously, hedging through gold and defense, while avoiding exposed industrials.

This path reflects a world of strategic divergence — not chaos, but not cohesion. The CVI climbs as markets adjust to a new normal: fractured, politicized, and inflationary.

CVI Path 3B — Fragmented Opportunism

This is the opportunistic drift. Washington acts, but the world remains fragmented. Russia presses, China calibrates, Europe absorbs uneven shocks. The CVI rises faster than in 3A — not because of systemic rupture, but because of uncertainty without clarity.

Markets fracture along sectoral lines. Defense and energy rally, semiconductors wobble, EM currencies depreciate. Liquidity concentrates in havens, but volatility spreads across asset classes.

This path reflects a world of asymmetric stress — where every actor pursues advantage, and markets price risk without resolution. The CVI curve is steeper, signaling a broader volatility floor.

CVI Path 3CD — Systemic Rupture

This is the tail risk realized. China moves on Taiwan, the U.S. strikes Iran or Greenland, and multi theater escalation drives systemic rupture. The CVI surges — not gradually, but violently.

Liquidity seizes, sovereigns lose fiscal space, and inflation embeds into daily survival. Defense and cybersecurity surge, but most sectors collapse. The CVI curve reflects shock, not drift — a world pricing survival, not strategy.

This path is the warning: if escalation compounds, volatility becomes existential. The curve is steep, sharp, and unforgiving — a signal that the world has moved beyond rotation into rupture.

7 | Opening the year with continuity and clarity MENA update

MENA is no longer just exposed to shocks; it is a transmitter of volatility. The 5+1 majority lens still holds: GDP concentration, corridor dependence, FX fragility, and rival standards. We enter the year with intact liquidity that is political and episodic, sticky inflation that lives in corridors and energy, and talent moving toward resilience hubs. The constant is discipline: boards that act early — on liquidity, margins, purchasing power, talent, and family office exposures — will convert volatility into resilience

Where we are now – Liquidity intact, but political and fragile

MENA enters the year in a state of intact-but-fragile liquidity. The GCC still anchors the region, yet oil price suppression keeps fiscal space tighter than the headlines suggest. Corridor costs remain elevated – Red Sea reroutes, aviation and shipping insurance premia, and EU regulatory tightening on Mediterranean energy flows – all quietly raising the cost of doing business. FX lifelines are functional but uneven: Saudi's buffers are strong yet disciplined; the UAE's FDI and tourism are resilient but selective; Egypt's remittances and tourism hold, while Suez receipts remain sensitive to routing; Iran stays sanction-constrained, reliant on eastward corridors; Algeria depends on EU gas demand cycles; Israel sustains tech-linked FDI but carries a geopolitical premium. The result is rotation, not relief: liquidity flows to sovereign-aligned, yield-disciplined projects, while SMEs and FX-sensitive households carry the brunt of tightening.

Boards who activated last year's playbooks are ahead: dynamic pricing is

protecting margins, blended finance is keeping oxygen in credit lines, and loyalty ecosystems are slowing the erosion of purchasing power. Family offices that rebalanced away from concentrated foreign shock exposure have created ballast for regional resilience.

Where things are going – Fragmentation as the base case, bifurcation as the path

The horizon is defined by rival standards and split liquidity. The U.S. remains the security guarantor and USD anchor; China deepens corridors, capital pools, and non-dollar settlements. Gulf capital rotates between safe USD assets and Chinese-aligned projects; this is structural, not episodic. Oil suppression likely persists as a global inflation management tool, slowing mega project timelines and forcing phased execution. Corridor fragility remains a transmission belt for global shocks – any escalation or regulatory tightening moves straight into FX buffers and spreads. Expect:

- GCC: disciplined buffers, selective project phasing, corridor pass-throughs into margins.
- Egypt: high FX sensitivity and reform tailwinds offset by import-cost inflation and dollar tightness; Suez vulnerability remains a swing factor.
- Algeria: EU demand and regulatory pulses dictate fiscal health; diversification remains shallow.

Across the region, credit becomes more selective, favoring sovereign-backed or corridor-linked projects. Inflation stays sticky in energy and imported essentials. Talent mobility accelerates toward GCC hubs, raising the risk of quiet brain drain in mid-tier economies.

The region continues to transmit volatility back into global markets through energy pricing, trade costs, and investor sentiment – not as a shock, but as a constant

What to look for — Signals that move the needle

Energy pricing and policy

Sustained oil suppression or any policy-led shift in GCC production guidance will directly affect fiscal space and project phasing

Corridor stress indicators

Red Sea and Mediterranean insurance premia, shipping reroutes, and pipeline regulatory changes are immediate FX and CPI transmission lines.

FX lifeline health

Monthly remittance receipts (Egypt), tourism flows (UAE, Egypt), FDI momentum (UAE) — early warnings for liquidity tightening or relief

Capital flight and spreads

Periphery sovereign spreads, local issuance volumes, and bid-ask widening — a live read on access and cost of capital

Standards bifurcation

Announcements of non-dollar settlements, BRICS capital pool deployments, or counter-corridor initiatives — markers of liquidity split deepening

Talent velocity

GCC rotation programs uptake and wage adjustments — leading indicators of purchasing power stabilization or erosion across households

Scenario alignment — From S1/S2 corridor to 3A/3B/3CD readiness

We remain oscillating between S1 (classic flight-to-safety) and S2 (fragmented risk rotation). That corridor still defines daily liquidity behavior: haven concentration, selective rotation, and uneven FX access. Into this year, the three broader trajectories we mapped for global markets become the overlay:

- 3A — Bloc alignment: inputs get weaponized; rare earths and strategic metals surge; liquidity bifurcates along standards. GCC withstands with discipline; EU-linked corridors face strain; tech costs rise.
- 3B — Fragmented opportunism: tensions persist without alignment; defense and energy outperform; EM FX bleeds; liquidity concentrates in USD havens; SMEs face tightening.
- 3CD — Systemic rupture: dual ignition triggers systemic stress; credit seizes; CPI surges in energy and technology categories; purchasing power erodes sharply; rationing risk emerges.

Strategic posture should assume S1/S2 as the operational base, with live triggers for escalation toward 3A or 3CD. Boards that pre-approved scenario thresholds and escalation protocols will move faster than headlines.

Boardroom guidance — Discipline first, then defense

- Liquidity and credit: maintain ladders, diversify channels (private credit, blended finance, regional funds), and mandate quarterly stress tests. Keep issuance windows ready and avoid leverage.
- Margins and inflation: digitize operations, hedge inputs, and approve dynamic pricing. Stabilize essentials through supplier agreements; protect key talent compensation.
- Purchasing power: cement loyalty ecosystems, approve targeted wage adjustments, and anchor social resilience as a strategic lever, not a CSR afterthought.

- Talent mobility: build GCC/MENA rotation programs and invest in knowledge industries that absorb skilled labor locally.
- Family offices: cap counterparty risk, reduce concentrated foreign shock exposure, and allocate into regional infrastructure/SME platforms aligned with scenario triggers.
- Scenario playbooks: S1/S2/S3 remain your operating map; 3A/3B/3CD are the global overlays. Pre-approve triggers for liquidity defense, selective inflows, and household stabilization.

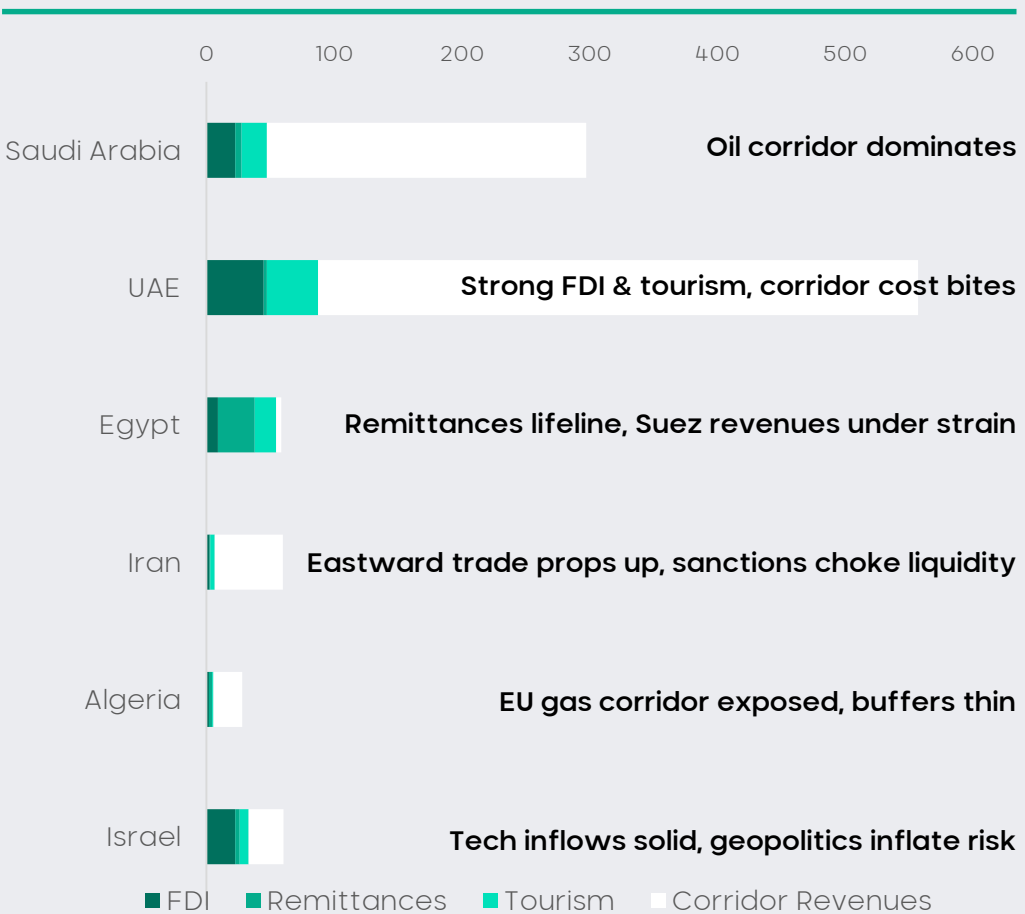
The scenarios we've mapped — whether bloc alignment, fragmented opportunism, or systemic rupture — all transmit directly into MENA corridors. Oil suppression remains the fiscal choke, corridor fragility continues to erode FX lifelines, and capital flight raises refinancing costs across Egypt, Algeria, and mid tier economies. In bloc alignment, Gulf sovereigns withstand with disciplined buffers, but inputs weaponized through rare earths and

metals raise costs across diversification projects. In fragmented opportunism, opportunistic shocks hit FX sensitive economies hardest, with remittances and tourism inflows pressured by volatility. And in systemic rupture, dual ignition across Taiwan and the Gulf collapses trade corridors, embedding inflation into daily survival and forcing sovereigns to reprioritize spending.

This continuity matters: MENA is not just exposed to shocks, it is a transmitter of volatility back into global markets. Energy prices, corridor costs, and FX fragility ripple outward, shaping investor sentiment worldwide. The bull's eye remains – and boards, family offices, and entrepreneurs across the region must treat MENA not as a periphery, but as a core theater of volatility.

FX Inflows by Type

in US\$-billion





Reflections MEMO TO OUR WORLD

We end our reflections with our Compass. It does not predict the future — it maps the terrain. Each scenario is a direction, each audience a traveler. Whether you engineer wealth, safeguard family continuity, steer a business, or navigate life as a curious mind, the year ahead demands clarity and readiness. Volatility is no longer episodic — it is structural. Your position on this compass may shift, but your discipline, adaptability, and awareness remain the true north. Navigate not with fear, but with precision. The map is drawn. The journey is yours.

Wealth Engineers

Private equity leaders, hedge fund managers, sovereign wealth strategists, and venture capitalists — the year ahead is not about speed, it is about discipline. Liquidity will not move freely; it will move politically, shaped by fractured corridors and contested standards. Defense and energy remain resilient, semiconductors wobble under Taiwan risk, and FX fragility embeds volatility into every trade.

The signals to watch are clear. A sovereignty breach — such as Washington acting unilaterally in Greenland — is the marker of bloc alignment, where liquidity fractures along political lines and inputs are weaponized. A fiscal exhaustion trigger — Europe's deficits widening under defense and migration strain — signals opportunistic fragmentation, where volatility embeds without clarity and opportunism defines flows. And the most severe signal, dual ignition — simultaneous escalation across Taiwan and the Gulf —

marks systemic rupture, where havens become survival assets and credit risk must be minimized.

Your compass shifts with these signals. In bloc alignment, preserve optionality and rotate into defense and energy while hedging inputs. In fragmented opportunism, build liquidity ladders and enter defense opportunistically, but avoid over exposure to semiconductors until Taiwan risk stabilizes. In systemic rupture, maximize havens in USD and gold, shorten duration, and protect capital above all else.

For wealth engineers, the reflection is clear: 2026 is not about chasing yield in noise; it is about engineering resilience into every allocation. Volatility is structural, not episodic, and your craft this year is to convert those signals into advantage.

Family Offices

For the family offices — balancing

portfolios with businesses, and financial exposure with household trust — the turbulence ahead is not abstract. It touches the companies you own, the employees you support, and the families you represent. Inflation erodes margins, credit tightens, and talent mobility accelerates toward resilience hubs.

The signals to watch are decisive. A sovereignty breach — Washington acting unilaterally in Greenland without NATO consensus — is the marker of bloc alignment, where inputs are weaponized and Europe pivots under strain. A fiscal exhaustion trigger — deficits widening as defense and migration costs crowd out social spending — signals fragmented opportunism, where volatility embeds unevenly and opportunism defines flows. And the most severe signal, dual ignition — simultaneous escalation across Taiwan and the Gulf — marks systemic rupture, where continuity itself is threatened.

Your compass shifts with these signals. In

bloc alignment, rebalance portfolios away from concentrated foreign shocks, allocate into regional infrastructure and SMEs, and stabilize essentials for employees. In fragmented opportunism, steer owned businesses through inflation and liquidity stress, approve wage adjustments, and invest in loyalty ecosystems that protect demand. In systemic rupture, safeguard continuity by preserving liquidity, protecting household trust, and anchoring capital in resilience assets.

For family offices, the reflection is clear: 2026 is not just about returns; it is about safeguarding continuity across generations, treating volatility not as noise but as the climate in which trust must endure.

Family Business Owners

For the local and regional entrepreneurs, the turbulence ahead is not a distant abstraction — it is felt directly in your

corridors. Financing growth becomes harder when credit lines tighten, FX volatility raises import costs, and inflation bites into margins. Talent mobility drains skilled workers, leaving you to balance ambition with resilience.

The signals to watch are immediate. A sovereignty breach — Washington asserting control over Greenland without alliance consensus — is the marker of bloc alignment, where corridor costs rise and inputs are politicized. A fiscal exhaustion trigger — deficits widening and credit tightening across Europe — signals fragmented opportunism, where opportunistic shocks hit FX sensitive economies and liquidity flows unevenly. And the most severe signal, dual ignition — simultaneous escalation across Taiwan and the Gulf — marks systemic rupture, where trade corridors collapse and survival becomes the only compass.

Your response must shift with these signals. In bloc alignment, digitize

operations to protect profitability, diversify financing channels beyond traditional banks, and stabilize essentials for employees and customers. In fragmented opportunism, protect cash flow, adapt financing structures, and deepen customer trust. In systemic rupture, preserve liquidity, stabilize essentials, and retain talent at all costs.

For family business owners, the reflection is clear: 2026 is not about chasing expansion at any price; it is about resilience and agility, ensuring that even in fractured markets, your business remains anchored in trust and continuity.

Beautiful minds

For the individuals, the year ahead is not just about geopolitics or markets; it is about daily resilience. Regardless of whether blocs align, opportunism spreads, or rupture ignites, there are fundamentals you can hold onto.

The first is financial discipline. Keep a cushion of liquidity — savings that can cover several months of essentials. Avoid over leveraging, and treat debt as a tool only when it secures resilience, not consumption. Inflation may ebb or surge, but the discipline of living within means is timeless.

The second is skills and adaptability. Invest in yourself — in digital literacy, in resilience industries like energy, defense, and technology infrastructure, and in creative problem solving. AI will reshape jobs, but humans who adapt, pivot, and learn continuously will remain indispensable.

The third is health and networks. Protect your physical and mental health, because volatility is easier to navigate when you are strong. Build and nurture networks — professional, social, and familial — because opportunities often flow through trust and connection, not headlines.

And the fourth is opportunity awareness. Keep your eye on resilience hubs:

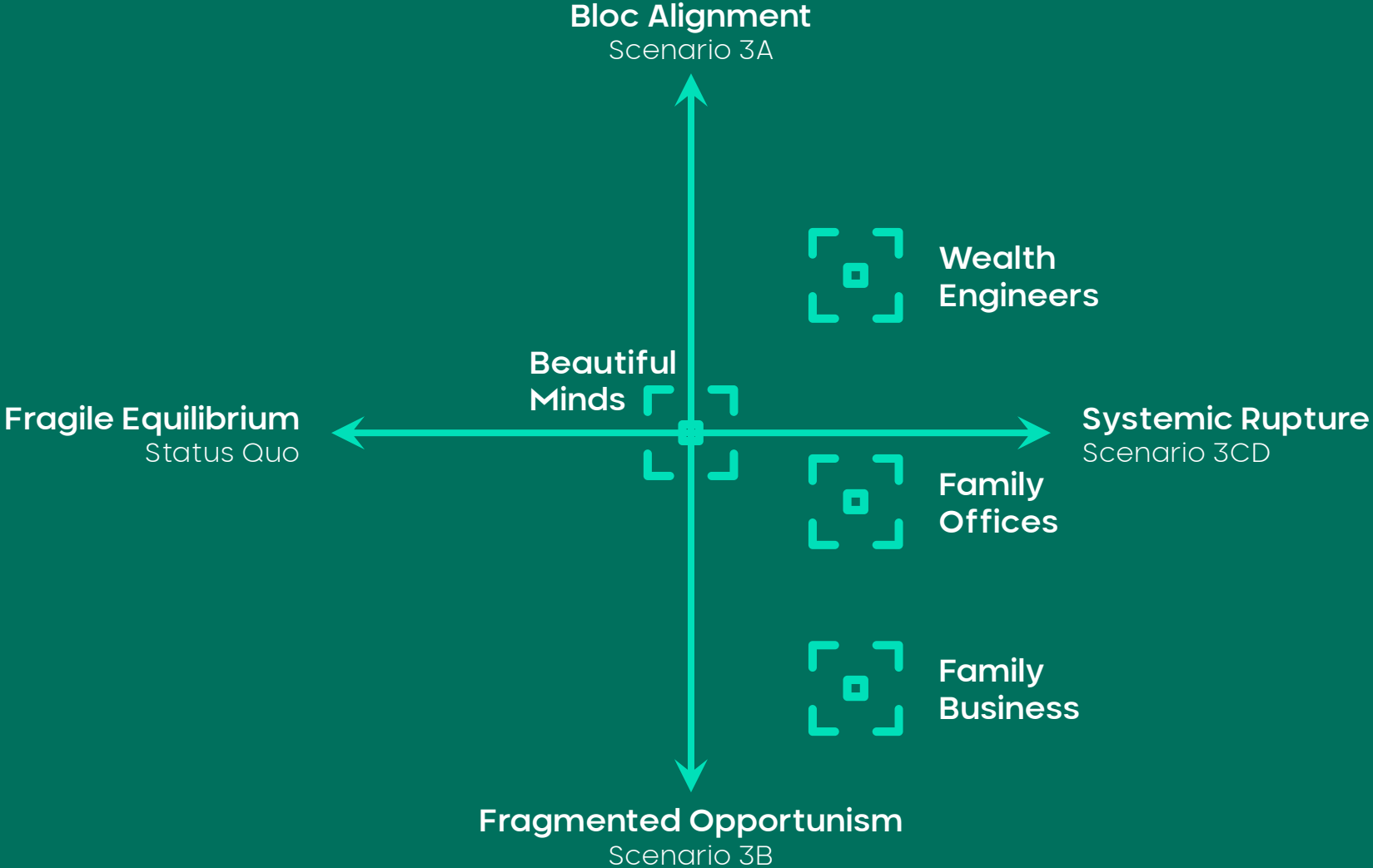
- Energy transition — green technologies, renewables, and efficiency solutions will keep attracting capital.
- Defense and cybersecurity — volatility makes these industries essential, and careers here will grow.
- AI and semiconductors — despite fragility, they remain the backbone of innovation; those who learn to work with them will progress.
- Local resilience industries — food security, logistics, healthcare, and education will always matter, and investing your time or capital here builds stability.

For the beautiful minds, the reflection is simple yet profound: protect yourself with discipline, progress with adaptability, and keep your eye on opportunities.

Scenarios may shift, but these essentials remain the compass for any individual navigating 2026



Our World	Scenario 3A (Bloc Alignment)	Scenario 3B (Fragmented Opportunism)	Scenario 3CD (World Falls Apart)
Wealth Engineers	Liquidity fractures, hedge inputs	Opportunistic flows, ladder discipline	Havens only, survival allocation
Family Offices	Rebalance portfolios, stabilize essentials	Steer businesses, wage adjustments	Preserve liquidity, protect trust
Family Business Owners	Digitize ops, diversify financing	Protect cash flow, deepen customer trust	Survival mode, retain talent
Beautiful Minds	Skills in resilience industries	Career pivots, cautious spending	Adaptability, resilience hubs



IMPORTANT NOTE

This publication is intended as a sovereign lens to illuminate structural volatility across political, economic, and market corridors. It does not seek to predict isolated events, but to map the climate in which decisions are made, risks are priced, and capital flows are shaped. All scenarios, triggers, and outlooks are presented for strategic and informational purposes only. They do not constitute investment advice, nor do they reflect any official position of ACUV Strategy or its affiliates. Readers are encouraged to interpret the findings within their own strategic contexts before making decisions.

Our Market Research Desk

Our Market Research Desk is the unit dedicated to providing esteemed clients with forward looking insights. We partner with prestigious global think tanks and maintain access to reliable, privileged intelligence capable of making a decisive difference. All information is processed within result oriented frameworks designed to serve the best interests of our clients.

For more information about our services or to request tailored market insights, please contact us at: info@acuvstrategy.com

References

This publication relied on the following sources for market data:

- U.S. Energy Information Administration – Global Petroleum Supply Reports
- NATO Strategic Communications Centre – Arctic and Alliance Posture Briefs
- Taiwan Semiconductor Manufacturing Company – Global Supply Chain Updates
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- IMF Regional Economic Outlook – MENA and EuropeWorld Bank – Global Trade Corridors and Infrastructure Stress Index
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- Eurasia Group – Geopolitical Risk Maps and Scenario Modeling

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