



## THE CONSTANTS OF A CHANGING WORLD

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The world order, whether economic, geopolitical, technological, or societal, is changing at a dizzying pace. Paradoxically, the constants of human nature manifest themselves with unwavering regularity.

Territorial ambitions, unreasonable strategies in the service of grandiose projects, and blindness to the lure of profit are as old as the world itself, and their consequences are no less recurrent.

It is through the lens of these enduring patterns that we can read, in simple terms, recent actions by President Donald Trump, the risky investments resulting from a decade of zero interest rates and the craze for AI infrastructure, as well as the uniformly bullish stance of strategists on equity market prospects for 2026 across all asset classes.

The consequences are known, but uncertainty remains regarding the timeline for the effects of these actions to materialize.

On the geopolitical front, short-term victories are bound to fuel further mistrust of the United States, with the economic cost being borne by exporting companies that have benefited fully from American soft power over the past decades, compared to Chinese or other alternatives.

Economically speaking, excesses will result in value destruction, with market liquidity only serving to delay the inevitable. Even powers with all the economic levers at their disposal, such as China, have not been able to postpone excesses indefinitely—particularly in the real estate market. So why assume that lower interest rates can forever hide the fact that some unicorns should not even exist and that many data centers dedicated to generative AI will end up with returns on investment well below expectations, due to overcapacity and fierce competition?

Finally, regarding the equity market outlook for 2026, three years of booming markets (+27%, +20%, and +7% respectively in euros for 2023, 2024, and 2025)<sup>1</sup> have gotten the better of cautious investors, who are now facing a colossal shortfall. They no longer have the credibility to express their doubts, which would immediately be dismissed as mere sour grapes for having been wrong. All bull market ends are marked by the capitulation of skeptics and, therefore, marginal buyers.

After reading these lines, the temptation to retreat to a cave, a fallout shelter, or cash investments is strong. However, that is not our message.

Staying away from the stock markets is impossible if you want to preserve and grow your wealth in real terms in a world where inflation is the result of global (re)fragmentation.

However, in some years, it is necessary to invest with the goal of not losing, rather than earning as much as possible, and to protect oneself from the risks associated with the three factors identified above.

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<sup>1</sup> Source: Edmond de Rothschild AM (France) and Bloomberg. Past performance is not a reliable indicator of future performance.

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