

# Market Views: Three biggest risks for investors in the Year of the Horse

Eric Jiang

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After a year marked by geopolitical shocks, inflation scares, and violent market swings, here are three major risks investors should be watching in the Year of the Horse.



As the Year of the Horse approaches, investors are bracing for what could be one of the most volatile periods in recent memory.

Global markets are already under pressure from geopolitical uncertainty, rising inflation risks, and rallies in emerging markets. Sharp swings in equities, commodities, and currencies reveal a market searching for direction and is vulnerable to sudden shocks.

The turbulence has been relentless throughout the Year of the Snake. Oil futures plunged over 7% in a single June session, while more recently in January this year, gold posted its steepest one-day drop since the 1980s and silver recorded a historic decline.

Meanwhile, the US dollar remains weak, and tariffs have dominated headlines since Trump's "liberation day," while concerns about an "artificial intelligence bubble" continue to capture global attention.

*AsianInvestor* spoke with portfolio managers and market watchers to pinpoint the three most significant threats investors should keep their eyes on.

**Gary Tan, portfolio manager, intrinsic emerging markets equity team**

**Allspring Global Investments**



*Gary Tan*

For investors, 2026, the Year of the Horse, represents the first straight of the race, with EM setting the early pace supported by improving earnings breadth, resilient domestic demand, and more constructive policy backdrops across several major economies.

Three risks, however, could disrupt this early momentum.

First, US rate volatility remains the most important swing factor. A slower-than-expected Fed easing cycle could turn a fast break into a more challenging first turn for EM currencies and liquidity.

Second, China's policy trajectory continues to shape the field. While bottom-up opportunities remain, inconsistent macro signals could keep the broader market sitting in mid-division rather than extending its lead.

Third, geopolitical fragmentation remains a structural overhang. Shifting supply chains and a heavy global election calendar could unsettle positioning just as investors seek to hold the rail.

With disciplined positioning and agility as the race develops, we expect 2026 to be a constructive year for emerging market equities.

**Hersh Oberoi, global research department director**

**Balfour Capital**

The foremost macro risk in 2026 is the persistence of structural inflation volatility.

While headline inflation has moderated across several developed economies, underlying pressures tied to tight global energy markets, constrained strategic commodity supply, and fragmented trade flows remain unresolved.



*Hersh Oberoi*

Periodic shocks in energy, logistics, or critical inputs could quickly re-anchor inflation expectations, delaying global monetary easing and keeping real interest rates higher for longer than markets currently discount.

A second major risk lies in the acceleration of geopolitical and economic bloc formation. Strategic competition among major powers is increasingly influencing trade policy, technology export controls, and cross-border capital allocation.

This raises the likelihood of episodic market disruptions, particularly in globally integrated sectors such as semiconductors, advanced manufacturing, and emerging-market funding markets that remain sensitive to shifts in capital flows.

Third, market concentration risk remains elevated across global equity indices. Index performance continues to be driven by a narrow group of mega-cap technology leaders.

Any moderation in AI-related capital expenditure, earnings delivery, or regulatory developments could trigger outsized volatility at the index level, amplified by passive investment flows and concentrated valuations.

#### **Tai Hui, APAC chief market strategist**

**J.P. Morgan Asset Management**



*Tai Hui*

One of the most significant risks investors face is poor fiscal discipline. Governments that run large fiscal deficits without a clear long-term strategy for consolidation are likely to be penalised by investors, which could result in a surge in government bond yields and have widespread repercussions throughout the economy.

Another major risk is concentration risk, particularly as investors have heavily focused on US technology in recent years.

In 2026, we anticipate greater differentiation among these companies, as not all hyperscalers are equal. Investors will increasingly scrutinise product features, client bases, and capital expenditure costs, and while there are reasons to remain invested in US technology, it is prudent to deploy fresh capital across a broader range of industries, such as financials and industrials.

Geopolitical tensions also pose a risk, as conflicts themselves may not directly move markets, but their economic repercussions certainly do. Investors should avoid overreacting to headline news and instead consider the possible routes of transmission, which often occur through energy or commodity markets.

## Portfolio Manager, emerging market fixed income

### BNP Paribas Asset Management



Dennis Lee

We consider inflation as one of the key risks in 2026. On inflation, the economic indicators continue to show mixed signals on the US economy. While the market has priced in more than two rate cuts in 2026, the final number of cuts could be lower than the current expectation, amid the relatively neutral tone of the latest Fed meeting and the sticky inflation prints which exceed the Fed target of 2%, despite the new Fed chair who's taking the helm in May may show a more dovish stance. As a result of the recent events and geopolitical concerns, we are noticing that oil prices are gradually picking up.

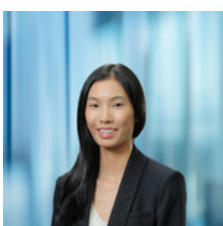
Moreover, commodity pricing shows a similar trend due to the planned heavy capital expenditure of the hyperscalers. These factors may not be fully reflected in the recent inflation data. A potential inflation resurgence in the US could slow down the pace of the Fed rate cut in 2026.

Geopolitics will continue to be a risk point this year. The foreign and domestic policies of the US have become more difficult to predict since last year. Shortly after the 'liberation day' when President Donald Trump announced tariffs on different countries, we saw credit spread spiked, as well as swings in the rate and FX markets. Any new and unexpected policy moves in the US may trigger asset repricing to reflect the higher risk premiums. Overall, we think these are the key factors that will continue to drive price movements in the capital market this year.

Emerging markets equities outperformed developed markets in 2025, the first time since 2017. In the race against developed markets, emerging markets have broken cleanly from the gates and secured a strong early position.

## Yi Ping Liao, portfolio manager

### Templeton Global Investments



Yiping Liao

First, AI capex and monetisation risk: We are later in the AI cycle. Earnings remain solid in 2026, but valuations are elevated. Any slowdown in capex, funding constraints, power bottlenecks, or weak monetisation could trigger volatility, particularly in globally correlated assets.

Second, policy and currency uncertainty: A shallower Fed easing cycle, sticky inflation, or renewed US dollar strength could pressure EM currencies and tighten financial conditions. Policy credibility—especially in China’s macro-economic execution or Korea’s Value Up implementation will be critical.

Third, geopolitics and trade friction: US-China tensions, tariffs, and broader de-globalisation trends could disrupt supply chains, exports, and investor sentiment, particularly in export-sensitive Asian markets.

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