12th January 2026

2026 Scenario Mapping

The Year Ahead

Black Komodo Investments FZE
Specialist Research Service

SRS Snapshot

Macro

- Top-down macro views backed by bottom-up research
- Understand the Manipulator not the Manipulated
- The interplay between Geopolitics and Macro Policies

Micro*

- Individual Assets and Sectorial Analysis
- Bottom-up research backed fundamental analysis
- Technical Analysis on market dynamics and effects

Positioning*

- Asset allocation breakup
- Macro and Micro effects on current market trends and how that affects your portfolios

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Komodo SRS

SRS AOW

- AOW – Art of War:
  - Our approach to market research, using a synergy between a physics inspired bottom up research process and a psychological lens to understand the market makers
  - Look where others aren’t
  - Thinking different so we see what others don’t in the same data
  - See through the misdirection and misallocation of the market
  - Understand the manipulators of the market:
    - Fed
    - Market Movers

SRS Focus

- USA:
  - Fed Loosening
    - Is it coming to an end?
  - Inflation
    - Will it reverse?
  - Unemployment
    - Spike or no spike? (yet)
  - Geopolitics
- India

SRS Focus

USA

SRS Focus

Fed Loosening

What’s the loosening cycle?

- The Fed’s loosening cycle is where the Fed proceeds to cut rates regularly, allowing for easier capital markets, bolstering economic growth, consumption and improving financial strain on the economy, firms and individuals.

- The milestones are manageable inflation, unemployment and consistent economic growth, all which have predefined levels.

- The Fed must assess the dual mandate it has of price stability and maximum employment, while not hindering economic growth when considering its monetary policy stance. If they cut too far, this could release too much capital into the economy and loosen it too far, if they cut too little, this could strain growth and hence employment.

Will the pause happen?

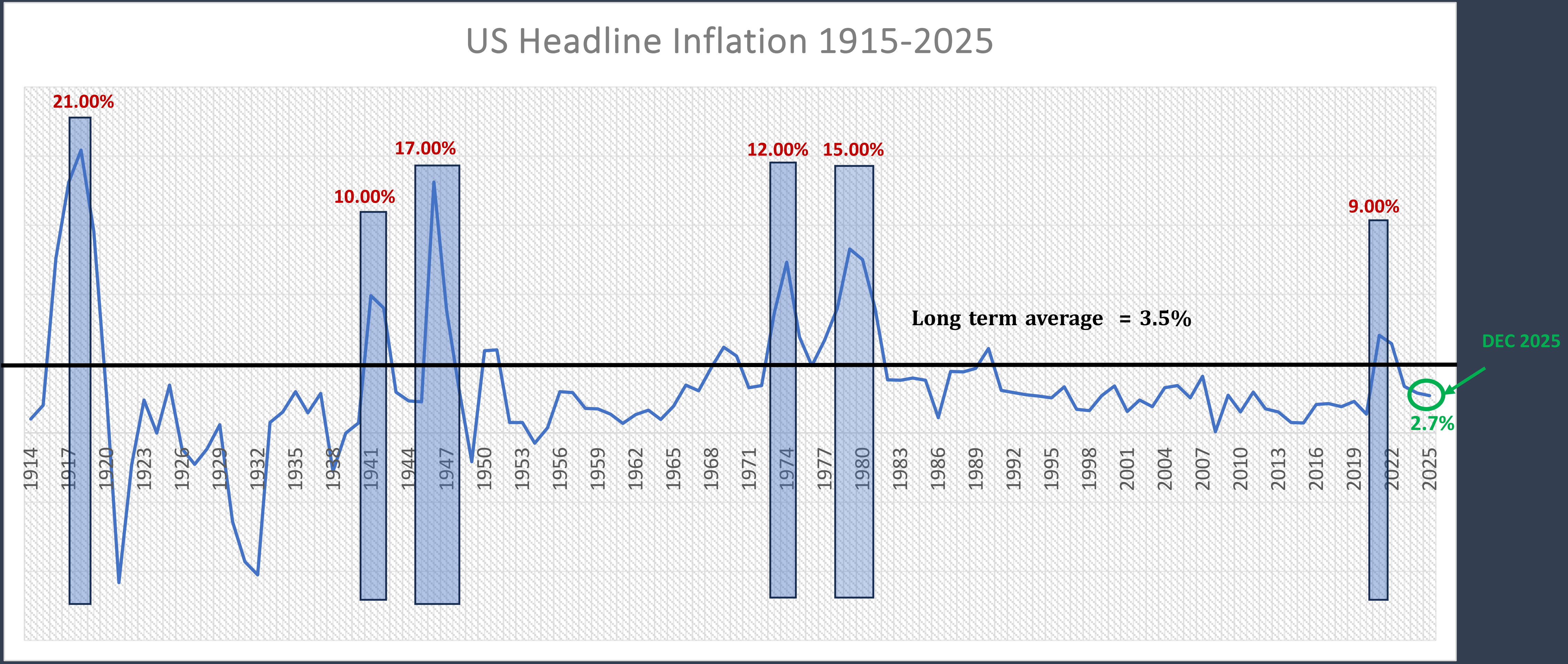
- The Fed needs to gauge where the economy is, particularly unemployment and growth, how much capital freedom is justified to maintain both sides of the mandate.

- The economy has particular inflation and interest rate criteria by which it can maintain its growth level without the detrimental effects to the firms and people within the economy, these remain the following:
  - Inflation at 2%-3%
  - Interest rates at 3%-4%, closer to 3%

Broad Overview

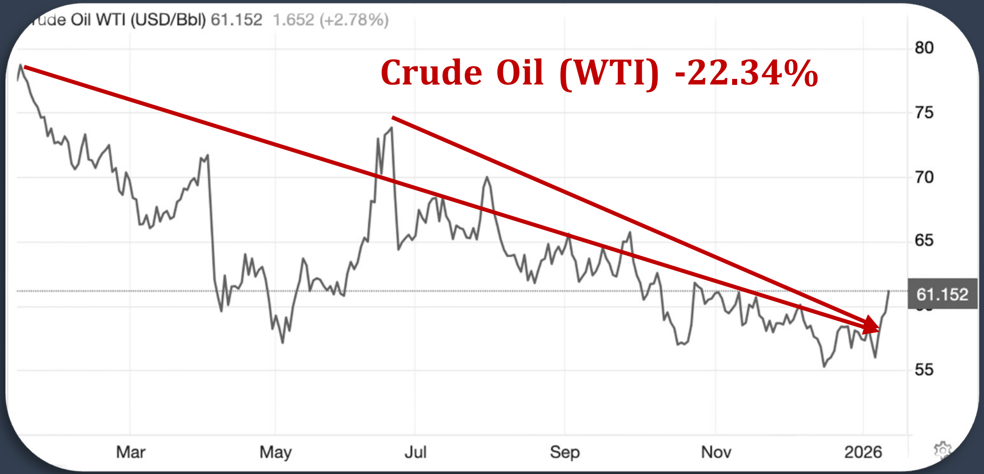
- Moderate growth with average level of rates and controlled inflation is how we see the year playing out. We see earnings growth improving, however, higher and higher demands to justify valuations playing a part in the volatility as well as questioning the growth of firms. However, we see production and consumption staying consistent with a broader base of firms improving in efficiency.
- We have two major concerns and see them playing a large part in setting the stage for the year ahead:
  - Inflation reversal
    - Inflation has been largely controlled within the lower bounds and close to the target level of 2%, however, we see tariff impact and normalization of energy and food prices from subdued levels potentially rising which could carry inflation higher, especially post the rate cutting cycle
  - Unemployment spike
    - Unemployment is at the lower average historic levels, however, we see the changes in technology and the advent of autonomy lead to a rebalancing and reskilling which we see affecting the broader employment environment, potentially leading to a rise in unemployment

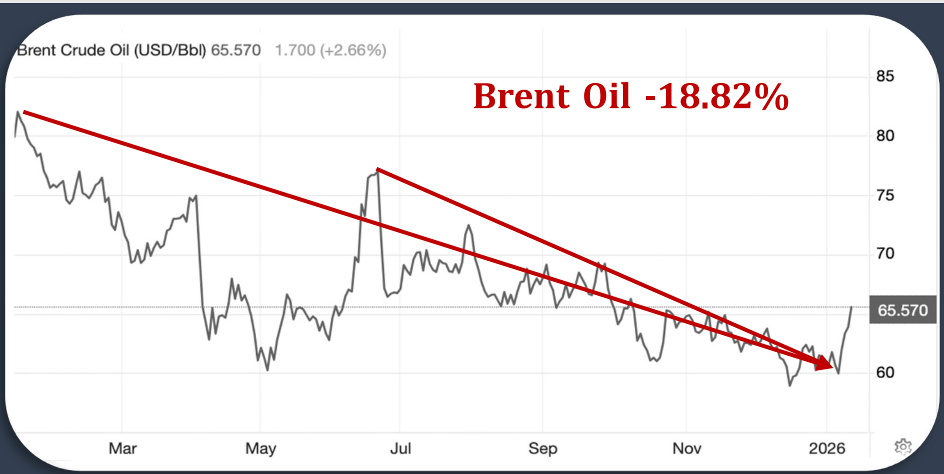
Where are we now?



Komodo SRS

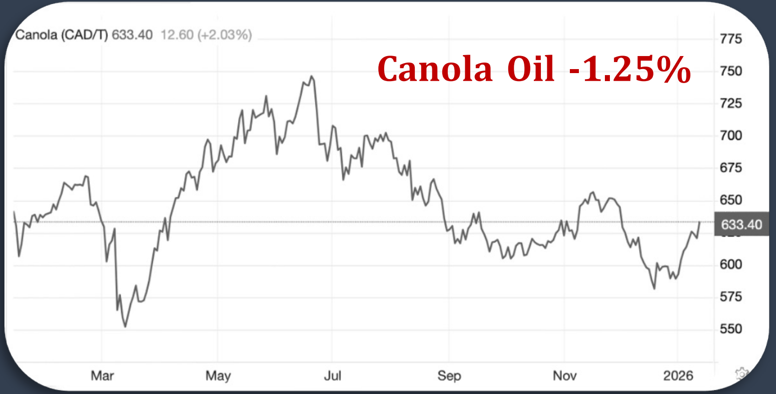
Where are we now?– Energy Commodities

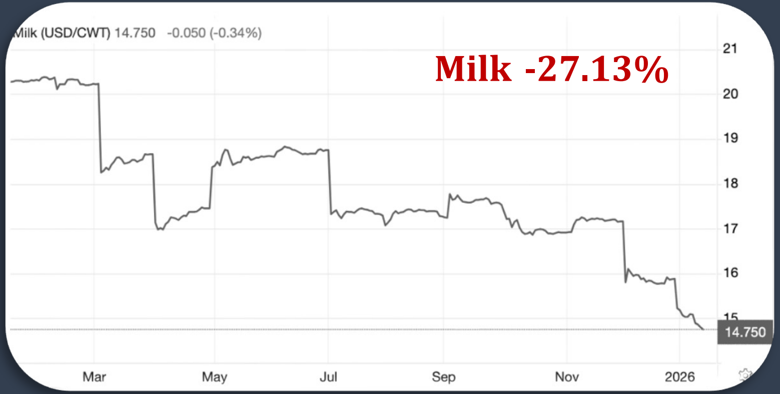


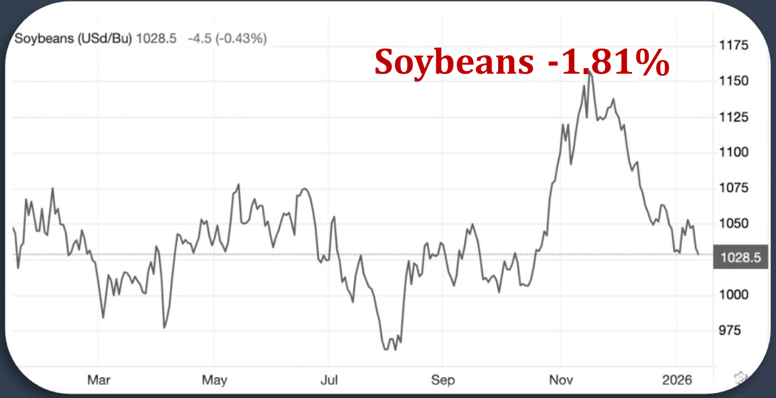


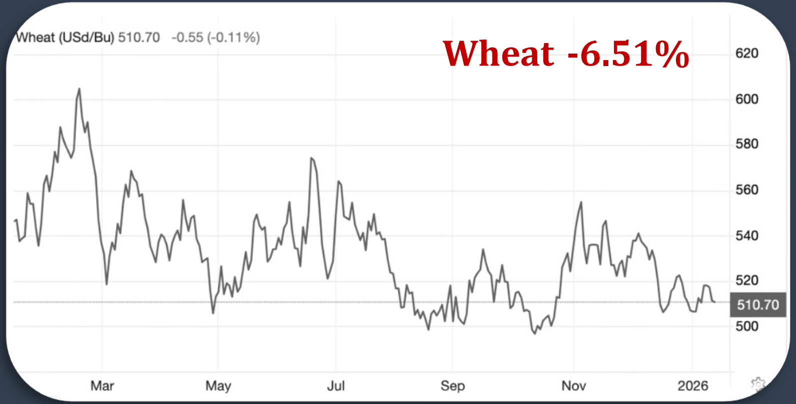
- Global oil supply outpaced forecasts by 2x from the initially forecasted 1M bpd excess to an actual over 2M bdp excess.
- Consistent rather than excessively growing demand, due to China's and India's growing renewable energy production.
- Further OPEC+ supply increases and US oil production at all times highs.
- Oil and gas prices have moved significantly lower and remain contained within the USD$ 55-USD$ 80 for oil and USD$3- USD$ 5 range for natural gas.
- The debate between peak oil/gas vs peak demand gets tested.
- Lower energy prices help move inflation closer to the 2% target.

Where are we now?– Agricultural Commodities

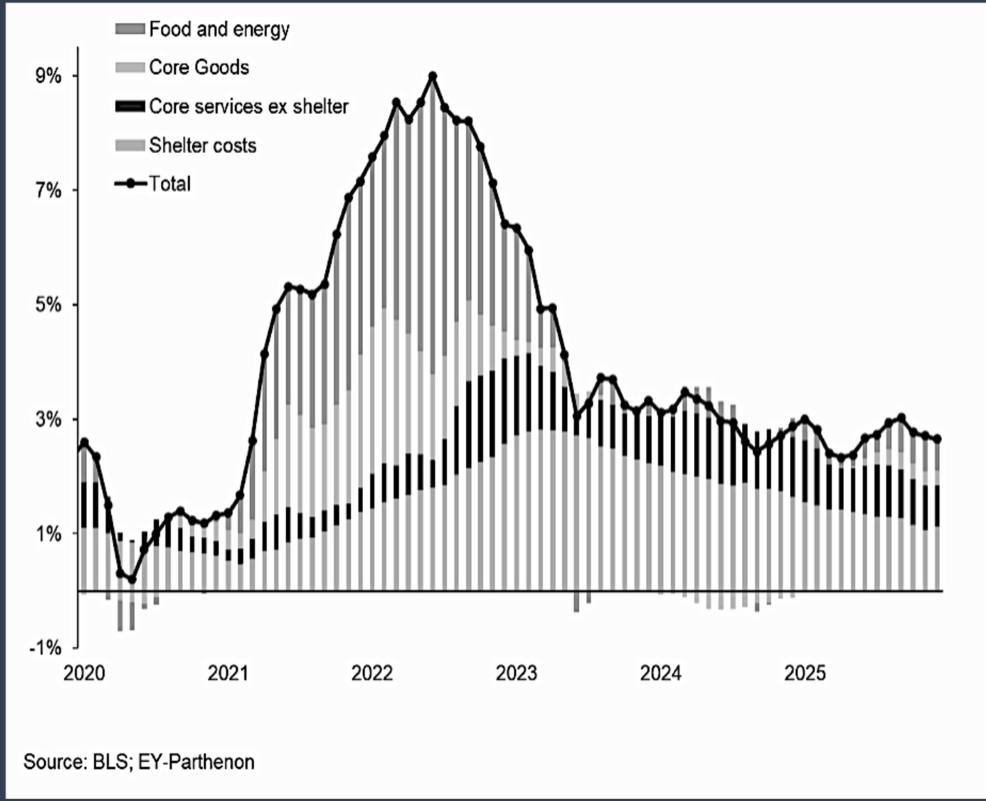








Where are we now?

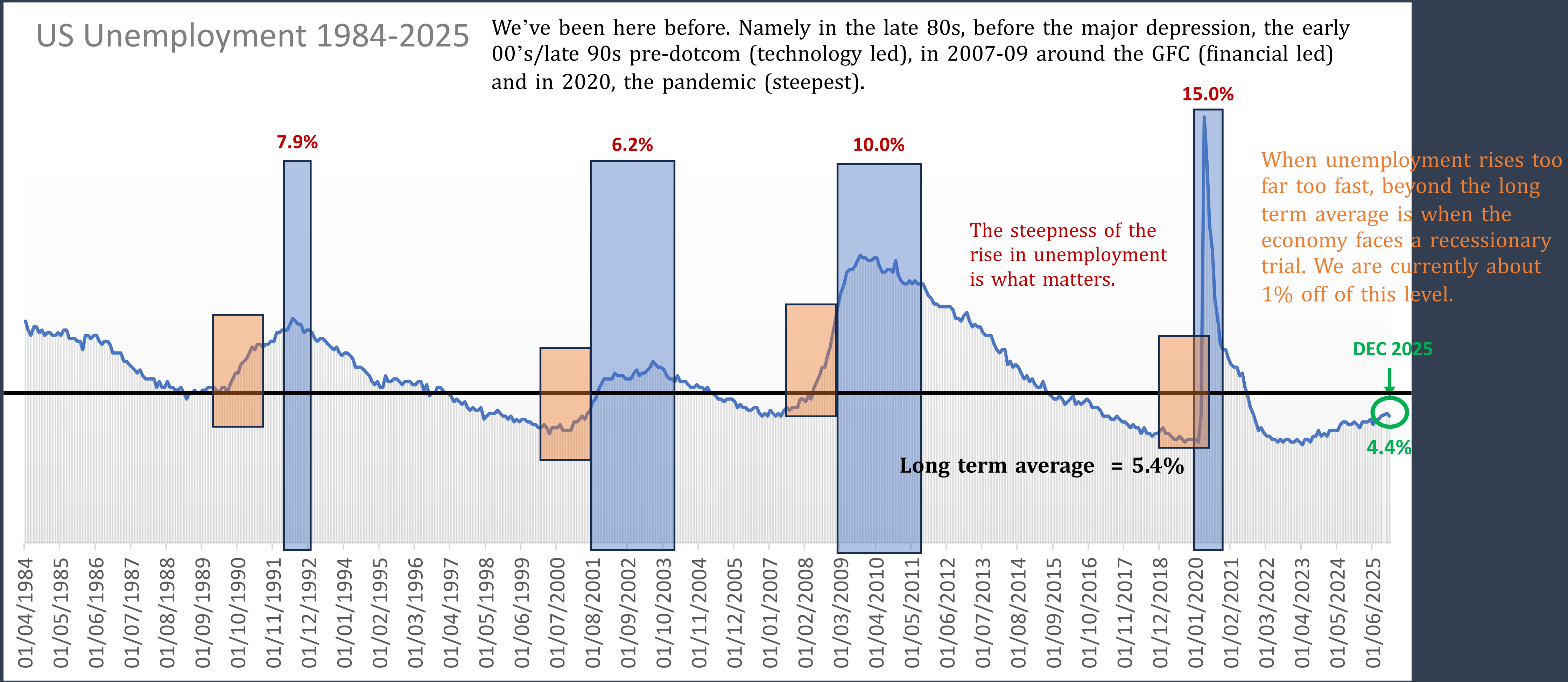


One of our greatest concerns for 2026 is similar to last year with an inflationary spike, however, the cause is vastly different. Last year, the cause was regarding the rate cuts and tariffs. This reversal took place slightly, however, in a manageable manner, less so from tariffs.

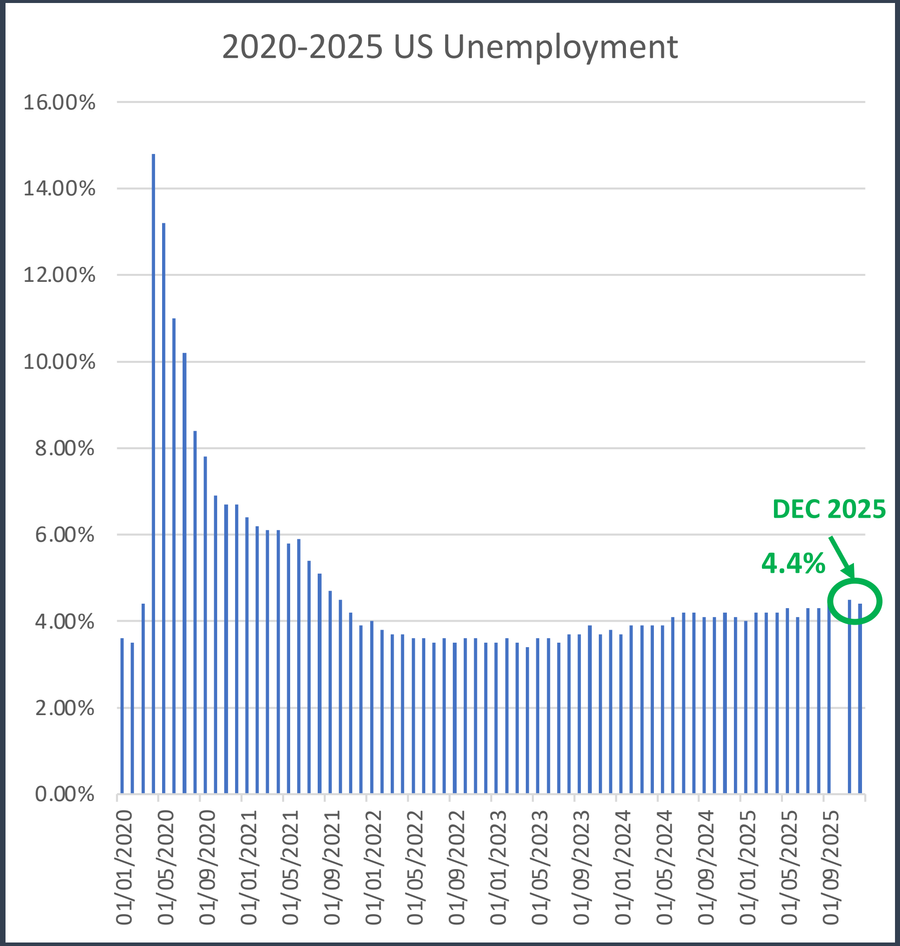
This year, we see the same threat, but from the point of view of rising prices from a lower base, which could lead to increased inflation since energy prices are currently at a record low, agricultural commodity prices have gradually decreased to a multiyear low, any uptick from these low lows can potentially cause inflation to rise.

This would put pressure on the FED to make monetary policy changes that could be detrimental to the larger economy. If this potential situation isn’t dealt with, with extreme care, this could lead to a re-visiting of the late 70s rate hikes and cuts, which could cause further uncertainty and hence volatility in the market and for the economy as a whole. This is the policy error we are concerned about.

Where are we now?



Where are we now?



Our other major concern for this year is unemployment. This year we are far more cautious regarding unemployment than last year.

Although unemployment had its latest data print of 4.4% falling back towards a more sustainable level than the 4.6% earlier, we see this year as one being where the changes from AI and its related technological advancements of autonomy will take root, forcing a re-allocation of resources, one being employment and a re-skilling of that resource at that.

This overlap could potentially lead to higher unemployment. So far, the healthcare sector and the hospitality sector have absorbed the layoffs that took place from the historically largest employment sector being technology. However, there will be a point of plateau in healthcare as well. The displacement of employment is coming from the most sought after, technologically advanced and previously thought of as most highly skilled employment sector. While, the re-skilling will most likely be in construction and more manually heavy tasks, the question is will the employment boost from that sector absorb enough of the layoff in a timely manner to avoid a large spike in unemployment?

Previously unemployment has been handled by cutting rates, easier liquidity meant easier hiring and hence maintaining stable employment, however, this time its from advancements in rather seemingly permanent efficiency rather than financial strains. This is the hardest to solve, because monetary policy doesn't have much of an impact here and could lead to further financial strain on individuals, leading to a very fragile state for the economy to be in.

What does this mean?

- This means we are currently at a point in the economic cycle where inflation is stabilizing, however rising slightly as the reduction in rates has let some capital back into the economy which has caused a slight rise in inflation.
- The Fed has a very important decision to make where it needs to be able to manage the inflationary rise and the financial pressure of the rates on corporates and people alike. It is a fine line for the Fed to walk across.
- We are at a stable yet fragile moment in economic history which needs very gentle care to be able to continue in a sustainable manner.

What do the numbers tell us? – Fulcrum

- Inflation is at still at 2.7% as per the latest data print in November. This is the same it was last year, thanks to falling energy prices and agriculture commodity prices, bringing food prices lower as well. This allowed the FED to continue its cutting cycle.

- Unemployment has risen slightly to 4.4% in the latest data print, however, rising from the previous 4.1% and a high of 4.6% in the previous month. This comes after large layoffs primarily from the tech sector with the advent of autonomy and AI as well as the government, with an efficiency drive as well as the shutdown, while job openings and growth came primarily from the healthcare and hospitality sectors, keeping unemployment contained.

- Rates have been brought down to 4.75%-4.00%, inching closer to the more sustainable 3% range.

- As rates come down and inflation continues to fall, consumption resumes its growth trajectory towards Q4 2025. Consumption remains strong as the financial strain on individuals reduces with lower rates, increasing disposable income to spend, as well as lower prices on every day goods, allows for freedom to consume elsewhere.

- Wage growth was an average of 4.0% in 2025 , outpacing inflation, acting as a buffer against inflation, combined with falling inflation and falling rates, this bodes well for purchasing power and consumption.

What do the numbers tell us? – Fulcrum

- Regarding our previously flagged credit card debt and delinquency rates:
  - Credit card debt is a measure of both consumption and price change impact on individuals which make up economies.
  - Younger borrowers faced mounting pressures, from both credit card debt and resumption of student loan payments after the 2 years long hiatus.
  - Credit card debt stands at a record breaking level of USD$ 1.23 T.
  - Delinquency rates peaked at 3.22% in 2024 and continued their gradual reduction in 2025 from a high of 3.06% to a low of 2.8% as interest rates were brought down and the largest contributor to credit card debt delinquency being inflation falling through the year.

Scenario Mapping

- Scenario 1: The Fed stays on their cutting cycle at 25bps per quarter.
  - Rates are brought down aggressively from the 3.75%-4.0% range to the 2.75%-3.0% range.
  - This would lead to an intense impulse of capital being injected into the economy, which will cause a sudden spike in inflation.
  - This would lead to a short term boost in growth as consumption would rise significantly, boosting economic growth as well as less financial strain on the economy, however this would also lead to a delayed recession.
  - The spike in consumption, would lead to inflation rising, pushing prices higher, working against the economy, eventually slowing consumption down, the excess capital access would usher in misuse of capital to boost debt fueled growth and ultimately lead to a rate hike environment, hampering growth as well as the financial balance of the economy.
  - Additionally, the large and strained yen carry trade would be heavily affected, leading to volatile shocks across the board.

Scenario Mapping

- Scenario 2: The Fed pauses cuts and intermittently cuts rates with 1 per quarter being the average. (3 cuts)
  - Rates are brought down gradually over the course of the year closer to the middle to second half of the year with longer pauses to adjust to the new liquidity of capital markets, allowing firms and individuals to absorb the new reality.
  - Inflation remains controlled and the cuts are not decided upon due to excessive liquidity needs or employment issues, rather from a rising economic growth point of view.
  - However, keeping in mind the required gap between the normalization in Japan and the spread with the US in order not to spook the carry trade or the Japanese Yen.
  - Markets will react with short term volatility, but an overall orderly fashion with less uncertainty regarding the magnitude and frequency of the cuts, lowering volatility through the year.
  - This is the preferred scenario to bring rates down to a more sustainable level of 3.0-3.25%, without spiking inflation due to policy changes and keeping the spread alive to stabilize the carry trade.

Scenario Mapping

- Scenario 3: The Fed cuts less than required and later in the year. 2 cuts or less.
  - Rates remain high for the first half of the year, maintaining the strain on the economy, individuals and firms alike, hindering growth and straining liquidity in the system.
  - Markets will initially react with volatility, as future growth looks constrained, employment suffers and individuals have a harder time with debt payments and then capital is infused into the economy later causing uncertainty with Fed decisions and capital flow.
  - Inflation will most likely remain contained and may even move lower, however, simultaneously consumption will suffer, which will hinder growth.
  - However, this would be the best outcome for the carry trade as the Bank of Japan has announced their plans for rate normalization and this will keep the spread wider between the Fed and the BOJ, stabilizing the carry trade.
  - The combination between Scenario 2 and 3 is what we see as the best case scenario with the markets reacting as they will, if volatile will be an opportunity for the patient and prudent investor to take advantage of.

SRS Focus

Inflation

Will it reverse?

- The first quarter as always is one which sets the tone for the year ahead. Inflation reached the lows of 2.3% in April of 2025 and then proceeded to rise to the current levels of 2.7%, lower than the peak of 3.0% in September.
- Energy prices and food prices remaining suppressed at multi-year lows especially for energy has helped keep inflation contained closing the year in the sub 3.0% territory, closer to the 2.0% target. However, with tensions rising in the middle east, higher energy demands for which fossil fuels are the easiest short term solution, a rise in prices from these multi-year lows combined with additional rate cuts could raise inflation into an unstable territory.
- If earnings and earnings growth remain robust, with unemployment remaining stable due to increased employment from the construction, healthcare, government and hospitality sectors as well as measured monetary policy changes and a stable trade environment inflation could be contained and a re-visiting of the target may be necessary. With the economy growing and employment remaining stable, 3% might be the new 2%.

SRS Focus

Unemployment

Will it spike?

- With employment being seasonal both from an application cycle stand point as well as reallocation of resources point of view, the first and last quarters are a good insight for how the economy behaves through this seasonality.
- Q3 and Q4 had the highest layoffs, with the private sector, especially technology being the largest proponent of these layoffs. At the same time, healthcare, education and government services (post re-opening) had the highest employment.
- We see this trend continuing into the first half of the year, with larger technology led layoffs taking place as productivity efficiency gains rise as do spending concerns, while demand for healthcare professionals, especially nurses, academics and government services continues to rise.
- If this hiring trend broadens out into manufacturing, construction, with the record level of data centers being built and other technology adjacent sectors required for its infrastructure as well as non-technology sectors, largely healthcare and government services continues, we see unemployment remaining contained within the low 4% level.
- However, if this reshuffling is mis-timed or takes place with a lower magnitude, we could see unemployment rising faster than expected which will bring into question the magnitude of this rise.

SRS Focus

Geopolitics

Where are we now?

- The feared trade and tariff wars to disrupt global trade took place. The trade environment was disrupted, then it was stitched back into a new order, largely by the President of the US. New trade deals were inked and some old ones shaken into a new form, while others greed on a truce. Ultimately, the trade environment is more settled and stable than it was early last year. Companies and governments alike are able to navigate it with some clarity and plan ahead.
- However, trade tensions still exist with a volatile leader of the free world, hence asset prices of safe havens have reached record highs, with gold and silver leading the pack at new all time highs and platinum, aluminum and copper rising as strong runner ups.
- On top of trade and policy changes, wars continue to be fought around the world, with new ones that began last year, which were able to be put to a stop. However, Russia-Ukraine are going on their 5th year, The Israel –Gaza war is going on their 2nd year and new tensions arise in the middle east between Saudi and Yemen, while the US once again takes center stage, with the capture of Venezuelan President Maduro.
- Emerging market buckets continue to make it harder for India to justify its case as China, Vietnam, South Korea, Japan and Indonesia prove to be opportunistically higher growth at better valued levels.

Consulting History- Cautionary Tales

- We have seen this before. An uncertain trade environment with a volatile leader, unemployment at an inflection point, inflation at an inflection point and a new revolutionary technology on the rise with questions already being asked about its sustainability.
- We are at a fragile moment, where both policy and fundamental data are crucial in defining the future for the economy. An error in policies, geopolitical and monetary alike and/or a diminishing of fundamental growth within the economy can cause turmoil leading to the worst outcomes coming true, as they have in the past.
- The remnants of the past are eerily circling, the question is will fate rhyme yet again or will this new cycle of advancement prove to justify its future growth?

Where do we go from here?

- The Fed decision, rate cut expectations, maintaining independence as well as liquidity concerns will remain center stage once again until rates are held consistent within a sustainable level and inflation remains contained and maintains its downward trajectory, closing the gap between target and reality.
- Earnings reports will be ever more insightful for the first half, both providing real world context on the application of AI to justify current valuations as well as to put into context the incoming economic data prints and how they effect the economy. We see earnings growth continuing to be robust and surprising on the upside through to Q2 as we see consumption rising further, while efficiencies help improve margins across the board.
- We see the innovation cycle entering into a new phase and being even stronger this year, with the large scale application of AI technology both hardware and software being applied beyond the software consumer and productivity applications into more physical applications through autonomy and robotics. However, we see the same adding strain to the employment side of the equation and are yet to see the obvious answer to balance both.
- We see tariffs having minimum detrimental impact on the economy, rather a positive debt impact, with minimal inflationary pressures. While the trade environment has significantly improved with trade deals and truces, we see it remaining fragile with the volatility of the administration and their nature of changing landscapes and policies. This will keep safe haven assets in high demand until stability begins to take over once again.

Where do we go from here?

- If energy prices and food prices remain stable and tariffs are stabilized and concentrated as they are, there will be minimal inflationary impact. If employment broadens through the economy and hiring rises in existing high employment sectors mentioned supported by the gig economy and self-employment, the transition between technology sector layoffs will have a minimal impact on unemployment.

- If the Fed remains measured in their rate cuts and cuts 25bps for the first half, gradually lowering rates, keeping in mind cross rates, cross boarder monetary policies and economic growth, we see consumption remaining on its growth trajectory and inflation remaining contained with no reversal above the long term average.

- If earnings remain robust, productivity efficiencies translating into value generation and autonomous applications and consumption remains resilient, we see short term volatility in search for direction of the economy but we see an overall moderate growth through the year.

INDIA

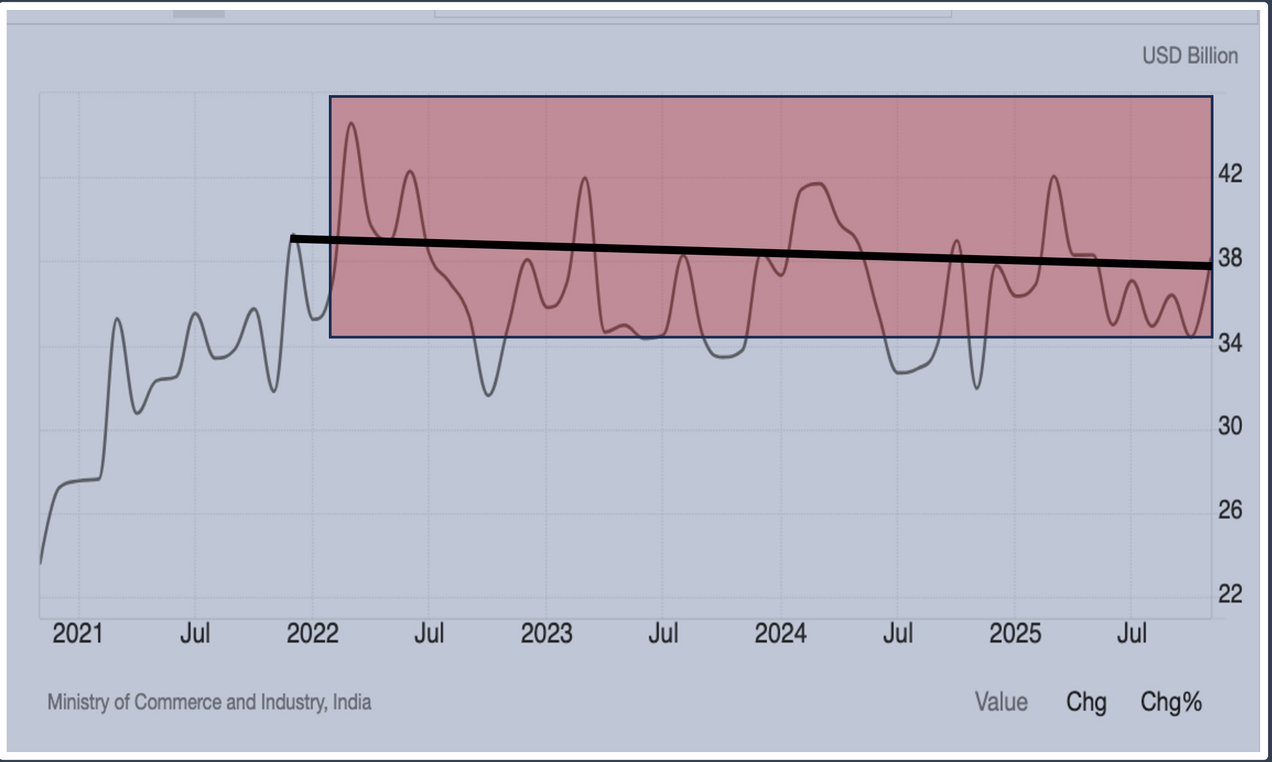
SRS Focus

What's next?

Where are we now?

- India is once again in the geopolitical and opportunity cost cross hairs, with trade tensions rising with the US while other emerging market players fight for the same growth opportunity.
- As we had mentioned before, India chose the policy led growth route to maintain growth, with RBI aggressively cutting rates by 125 bps over the year to the lowest levels of 5.25%, following inflation falling to the lowest levels of 0.25% in a bout to boost consumption and bring back inflation from the brink of deflation.
- While the GST reforms and falling food prices are the primary reason for the sharp declines in inflation, the recent changes in GST, excluding some items completely while reducing GST on most daily items and increasing it heavily on luxurious items has helped keep inflation tamed; the new changes could cause irregular spikes to inflation, leaving little room for the RBI to act beneficially, it may need to begin hiking as its only measure.
- As India's growth pushes over 8%, questions on its base year of calculation as well as its job market being jobless growth in the nation arise. Additionally, this growth came largely from domestic demand, which questions the manufacturing push and positioning itself as an exporter, as the Rupee declines further against the major currencies. The numbers show a different story, while infrastructure and manufacturing has grown, exports have dropped and imports have increased over the year.

Where are we now?



India's manufacturing push is coming into question, with manufacturing exports failing to rise above their 2022 high, remaining under their mid 2022 levels and close to their 2021 levels. This questions, all of this manufacturing infrastructure being built, the depreciation of the currency and their stance in the ongoing trade dispute between the US and India.

Additionally, the question remains whether India is transitioning into a manufacturing hub for the world or remaining a largely insulated economy driven by domestic demand and capital flows?

India, historically a domestically led growing economy can maintain its economic growth with domestic demand alone, however, the investment landscape remains a different story. With EPS growth showing a mixed picture, riddled with misses in most sectors which lead the economy, questioning the valuation premium the companies hold, with a potential short term re-setting in sight.

Where do we go from here?

- As both rates and inflation have moved significantly lower and the new GST reforms take effect, we see a higher purchasing power for consumers, pushing consumption higher, which will also help bring inflation to more normalized levels. We see the RBI monetary policy decisions, annual budget and trade environment as well as currency depreciation being in focus for the first half.
- We see the EM bucket exposure still being one of high competition with China and other emerging markets, with improving opportunity costs as their markets stabilize and valuations are at a lower premium, with improving fundamentals. While Indian companies have their premium valuations and are finding it hard to justify them.
- We see this as a short term – medium term wait and watch moment for India while earnings reports and annual budget shed some light on focus sectors for the nation as well as provide insight on the fundamentals of their current valuations to help contextualize the relative spread against other opportunities globally. We see the first half being riddled with volatility, with the overarching theme of geopolitically led trade tensions and a large focus on earnings growth.
- We see domestic flows remaining robust for the market, while foreign flows remain soft looking for improving economic indicators, policies and earnings growth.

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