

CAP Focus

Cross Asset Allocation

3 February 2026

Market Theme (p.3) : “ Gold - A hedge against what?”

- Since Friday 30 January, the prices of gold and silver have fallen by 15% and 37%, respectively. These steep declines come after explosive increases in the first month of 2026. In CAP’s view, there are two or three factors that stand out as explanations for the development in gold over the past year. These are: a. hedging against ‘bad times’, b. hedging against Trump’s USA, and c. speculation and leverage. In any case, CAP expects that it is too late to chase ‘gold as a hedge’. See article p.3-6.”
- **Cross Asset Market Themes, Performance & CAP Weightings (p.7)**
 - A typical Danish 60/40 portfolio has risen by 0.5% over the past month. CAP’s overweight positions in Value, Danish Equities, European Equities, Hedge (FI/FX) and IG Credit (Euro) have all outperformed the 60/40 portfolio. Emerging Market equities (Neutral) have also delivered stronger returns. Within equity segments, the weakest performance has come from Growth equities (LT Growth, Underweight), Low Volatility (Stable, Overweight) and US equities (EUR-hedged). In fixed income, the past month has seen underperformance in EMD (Neutral), Duration (Neutral, newly downgraded) and HY Credit (Neutral). The US dollar (Underweight) has likewise underperformed over the month. CAP introduces two new recommendations. The theme A Rebalancing World is initially expressed through an overweight in MSCI World Equal Weight. At the same time, Duration is removed from the overweight list and is now set to Neutral.
- **Return Charts 12 mth: Cross Assets, Risk, Styles & Themes (pp.8-12)**

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Market Theme. In Brief

Gold – a hedge against what?

Precious Metals Plummet!

Since Friday, January 30th, the prices of Gold and Silver have fallen by 15% and 37% respectively. These massive declines follow explosive increases in the first month of 2026. Kevin Warsh's appointment as the next Fed Chair has been partly blamed for this significant reaction. However, from CAP's perspective, there are two or three factors that need to be considered as explanations, which we will briefly address here.

Gold as a Hedge Against Adverse Times

If we look at the financial market history of the past 20 years, there are at least three crisis periods, as illustrated in **Fig 1 (p.4)**, where stock market declines have coincided with rising gold prices. These include the Financial Crisis of 2008-9, the Euro Crisis of 2010-11, and the Covid Crisis of 2020. In each instance, the price of gold has risen by at least 40% year-on-year during these crises. One explanation for the sharply rising prices of the precious metal can thus be attributed to some investors hedging against a potential stock market crisis.

Hedge Against Trump's USA

Figure 1 also reveals that the current annual growth rate for gold is over 80%(!), a rate not seen in the past two decades. Therefore, multiple explanations must be considered, one of which is that the Trump administration has likely had a significant positive effect on the price of gold during its time in power over the last year. **Fig 2 (p.5)** shows that it is not just gold and precious metals that have experienced gains under Trump 2.0. The Euro, for instance, is one of the few global currencies that floats freely against the Greenback, having increased by nearly 15% during Trump's tenure. The same can be observed for Non-US equities (MSCI World ex USA) compared to the S&P 500, with Non-US stocks outperforming US stocks by 17%. There is thus clear evidence across asset classes (*cont'*)

that investors have demanded a risk premium associated with the Trump administration, with gold and precious metals being one avenue through which this risk premium is reflected.

A Third Explanation - Speculation and Leverage?

CAP's two main explanations for the rise in gold prices, as described, are that investors have hedged against 'bad times' and against Trump's USA. However, this does not account for the high volatility and the clearly 'overbought' situation that we now experience in the market for gold (see **Fig 3 p.5**). Typically, significant fluctuations in asset prices are driven by speculation and leverage. Hence, it is worth noting that the uptrend in gold has not occurred while stocks have fallen; instead, it has surged alongside the rising stock market (see **Fig 4 p.5**). This is quite unusual and suggests that hedge funds and others are simultaneously buying both gold and tech stocks in a leveraged manner. If this is widespread, gold has surely lost its ability to act as a hedge against 'bad times'.

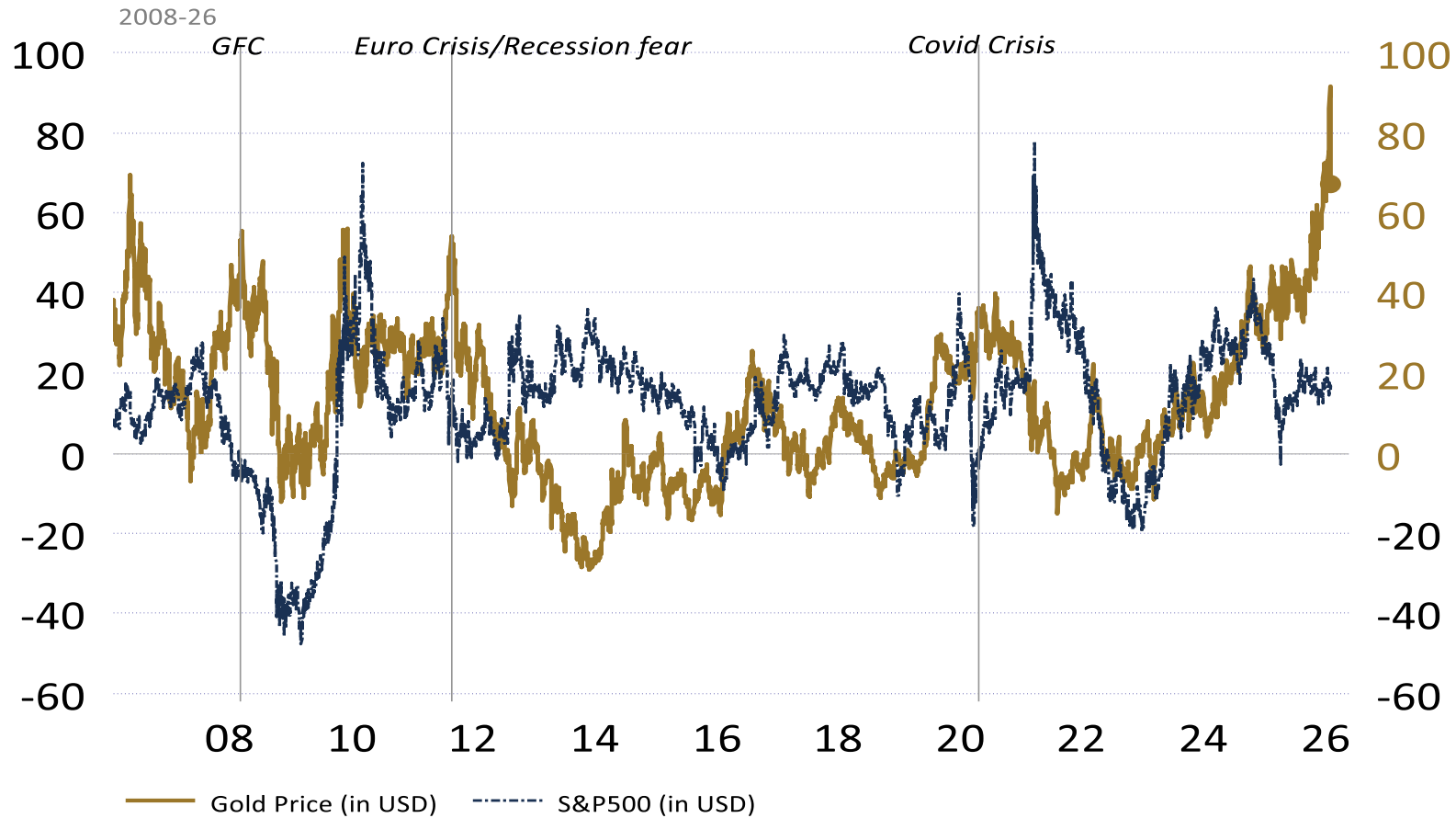
Gold – Too late to work as hedge against neither Trump nor Bad Times. What to do?

At no point in the past year has CAP allocated to precious metals (unfortunately!). In our best judgement, it is now too late to invest in the 'Gold as Hedge' narrative. That said, CAP believes it is essential for investors to reallocate away from US Growth stocks and into other more undervalued and safer asset classes and groups. CAP maintains that Non-US equities are preferable to US stocks, and that EUR/DKK denominated assets are preferable to US Dollar assets. This week, we therefore introduce the theme of **A Rebalancing World**. Initially, this will be achieved by purchasing the equally weighted MSCI World index rather than the US tech-heavy MSCI World market capitalisation weighted index (see **p.8 & p.12** for more details)

Gold – a hedge against what?

Figure 1

Gold – a hedge against bad times for equities?



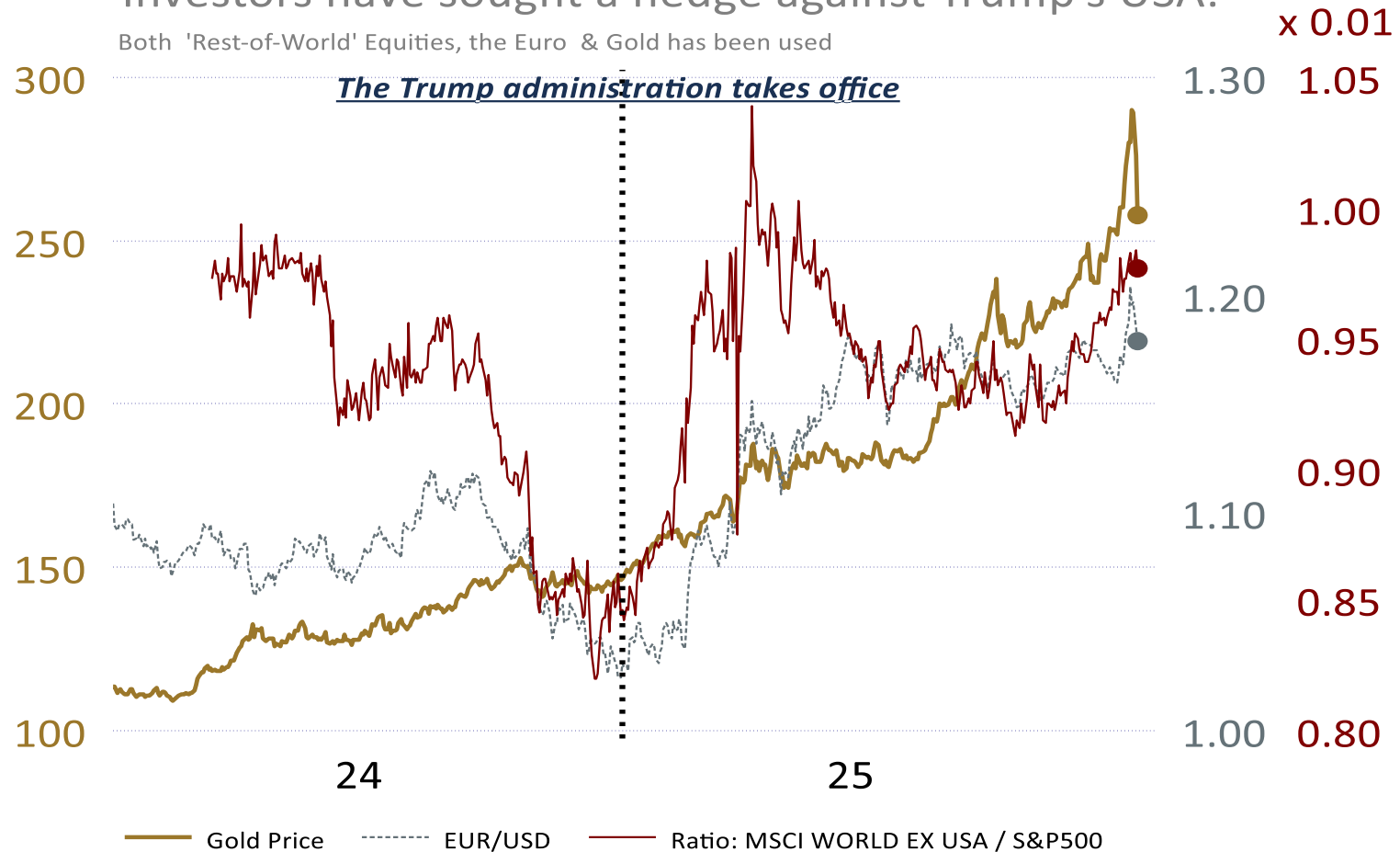
Source: LSEG Datastream, C.A.P

Gold – a hedge against what?

Figure 2

Investors have sought a hedge against Trump's USA.

Both 'Rest-of-World' Equities, the Euro & Gold has been used



Source: LSEG Datastream, C.A.P

Cross Asset Performance & CAP Weightings

Market Themes, Performance & CAP weightings

Investment Styles & Themes	-1w	-1m	-3m	-12m	CAP Position
Emerging Markets (EUR) (EQ)	0.6%	7.7%	5.7%	25.7%	Neutral
Value (EQ, CAP)	0.9%	5.3%	11.0%	26.2%	Overweight
Europe (EQ, EUR)	0.4%	3.1%	6.6%	17.2%	Overweight
Danske Aktier	-0.3%	2.7%	8.4%	11.9%	Overweight
Hedge (FI/FX, CAP)	0.3%	2.3%	2.6%	5.8%	Overweight
Size (EQ, CAP)	-0.4%	1.9%	5.1%	15.8%	Underweight
MSCI World Equal Weight (EUR)	-0.9%	1.8%	4.2%	7.4%	Overweight (New)
IG Credit (Euroz)	0.4%	0.8%	0.3%	3.7%	Overweight
USA (EQ, USD)	0.3%	0.7%	2.0%	15.8%	Underweight
Credit (CAP)	0.0%	0.6%	1.1%	5.6%	Neutral
60/40 (EQ & FI(DK), CAP)	-0.3%	0.5%	1.0%	4.6%	
Globale Aktier (EUR)	-0.7%	0.5%	0.8%	4.8%	Underweight
HY Credit (Global)	0.0%	0.3%	1.2%	5.4%	Neutral
Low Vol (EQ, CAP)	-0.7%	0.3%	1.4%	-1.6%	Overweight
Duration (FI, CAP)	0.3%	0.2%	-0.2%	3.6%	Neutral (New)
USA (EQ, EUR)	-0.8%	-0.5%	-0.8%	1.5%	
US Dollar	-0.2%	-0.9%	-2.4%	-12.3%	Underweight
EMD	-1.1%	-0.9%	-1.2%	-2.5%	Neutral
LT Growth (EQ, CAP)	-2.0%	-1.5%	-3.1%	3.4%	Underweight

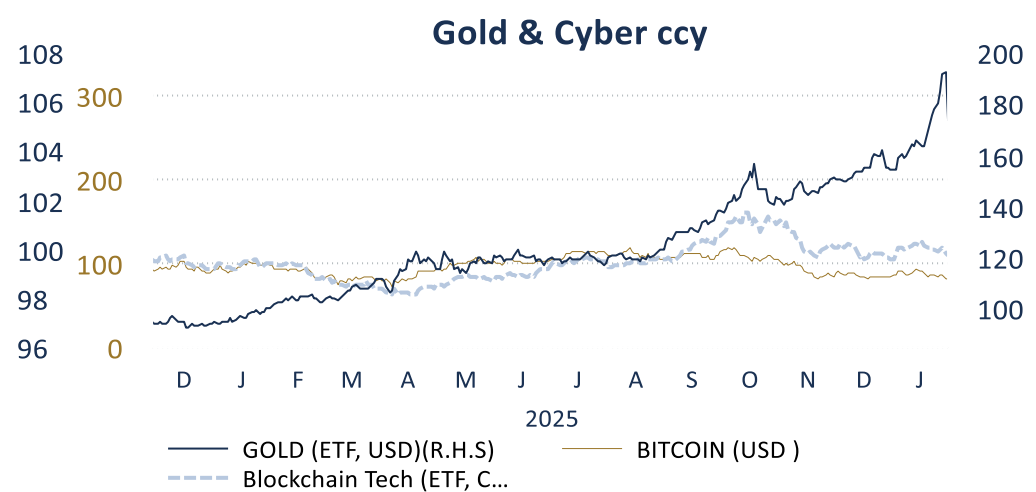
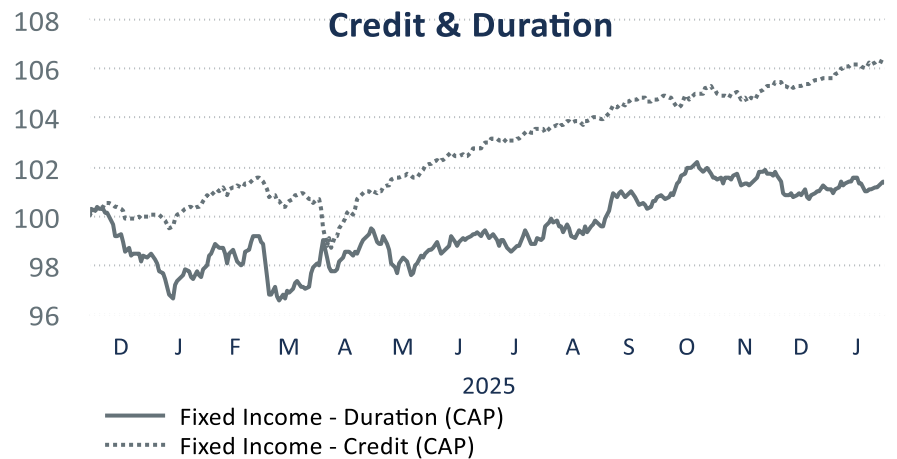
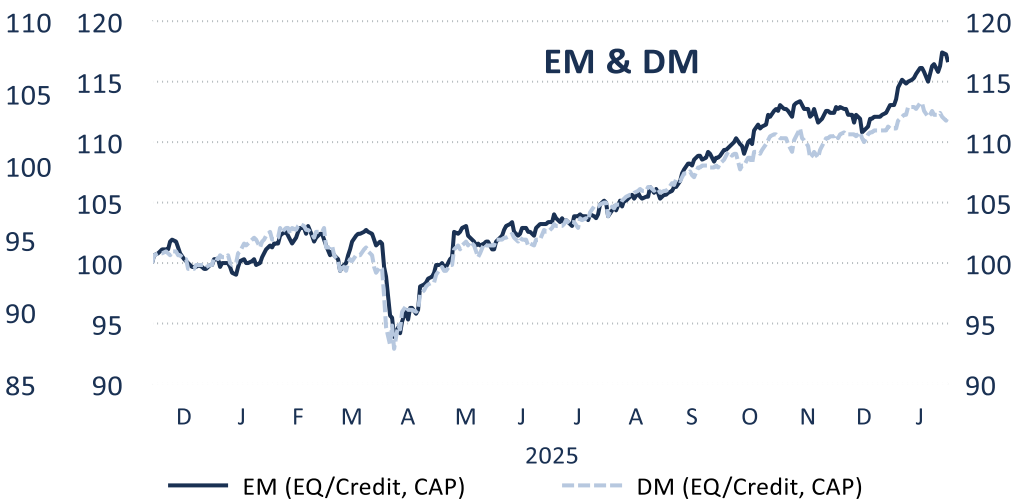
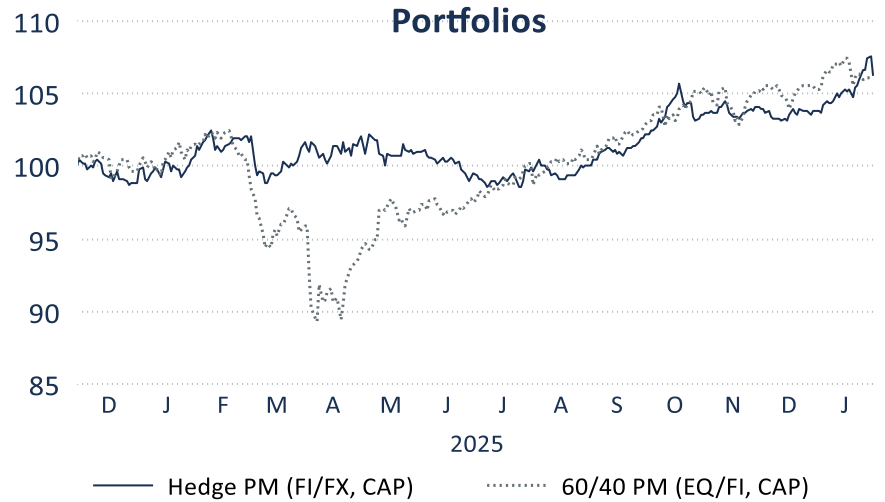
Source: C.A.P

CAP is now recommending buying the MSCI World Equal-Weighted index instead of the MSCI World Market-Cap Weighted index. The reason is that the US now makes up more than 70% of the MSCI World index, and the theme 'A Rebalancing World' is expected to dominate in the coming period."

CAP is stopping its overweight in Duration. The theme 'Yield-curve flattening as a recession hedge' is currently expected to encounter resistance on two fronts: A. US inflation expectations, which are expected to rise, and B. the Fed's new chair Kevin Warsh, who is expected to push within the FOMC to shrink the Fed's balance sheet and accelerate the Fed's selling of US Treasuries (QT)

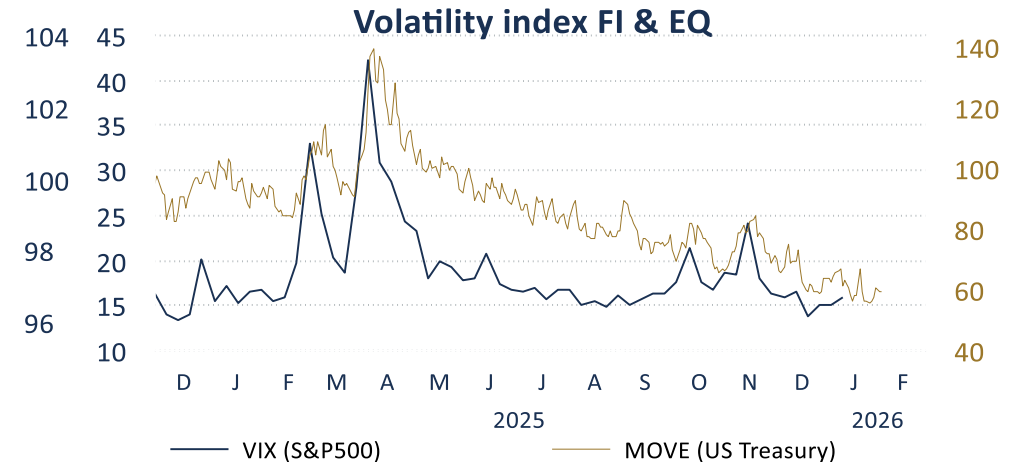
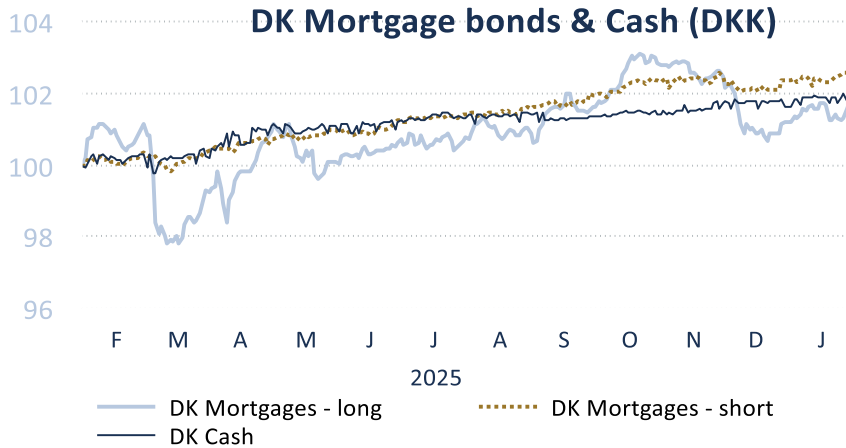
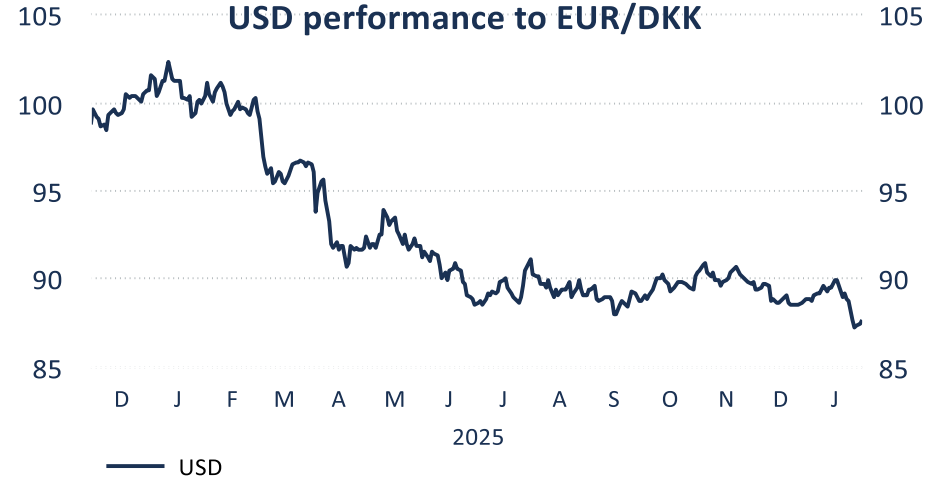
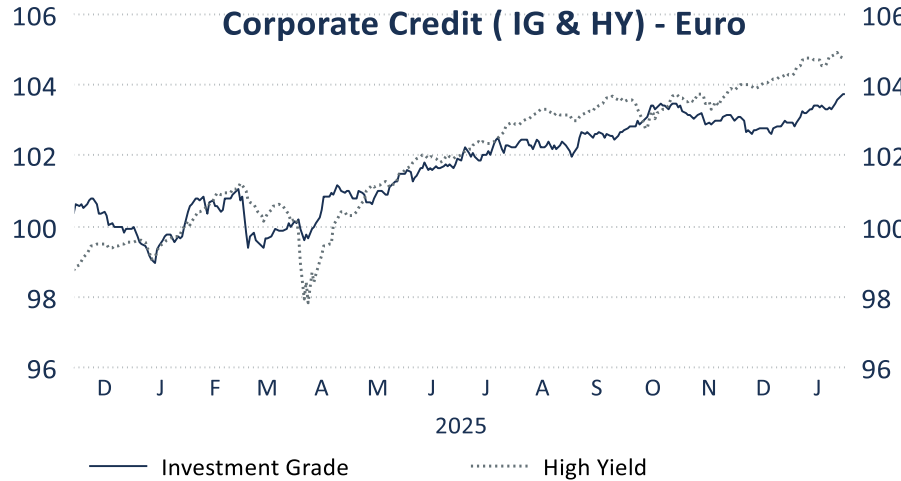
Investment Segments – 12 months return

Cross Assets. Portfolios & Segments



Credits, USD & Volatility – 12 months performance

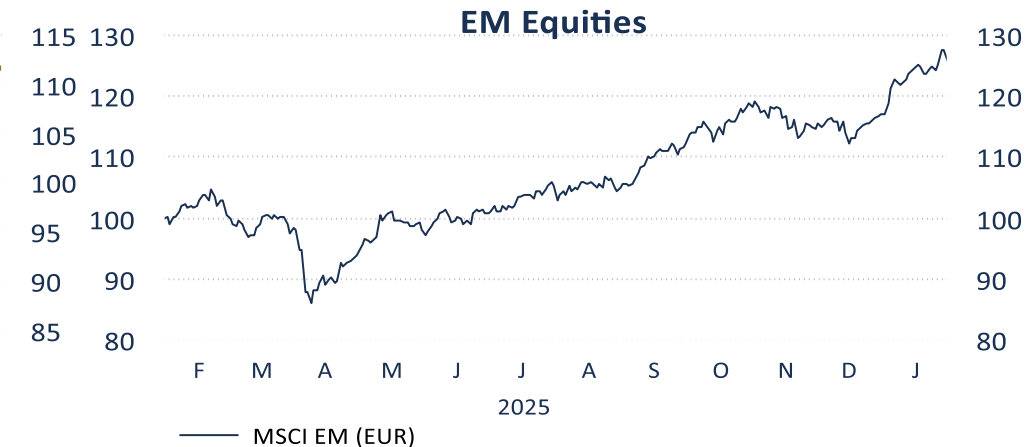
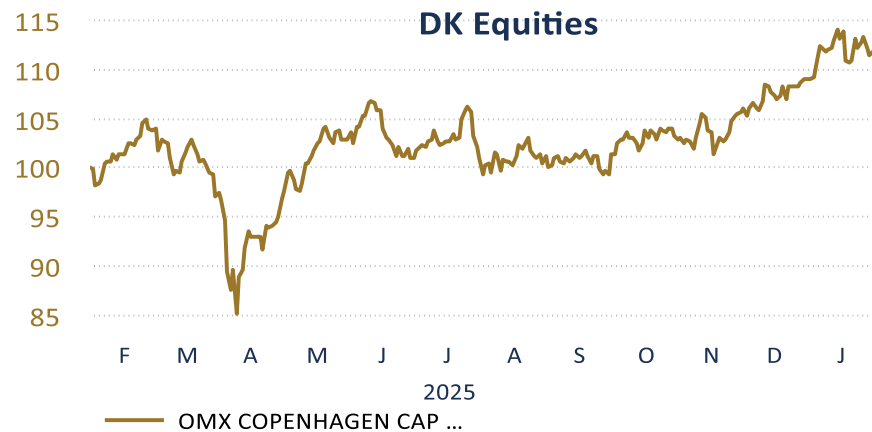
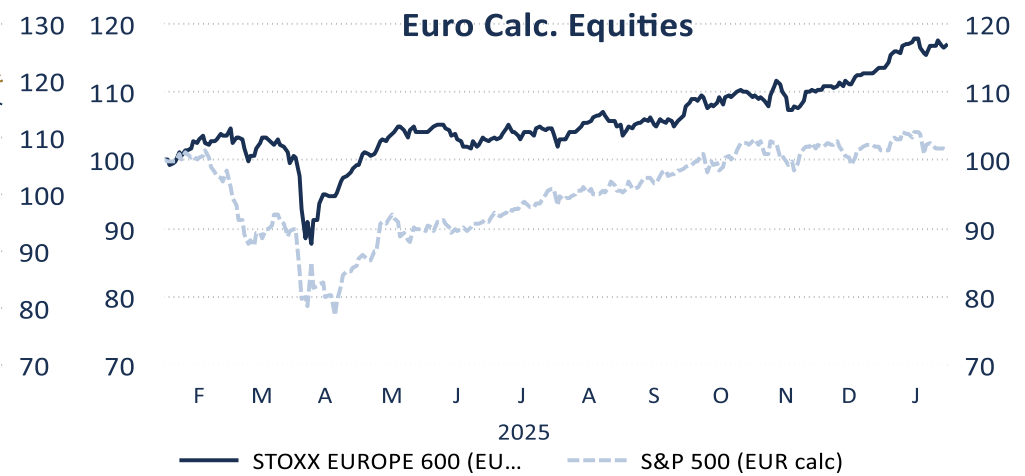
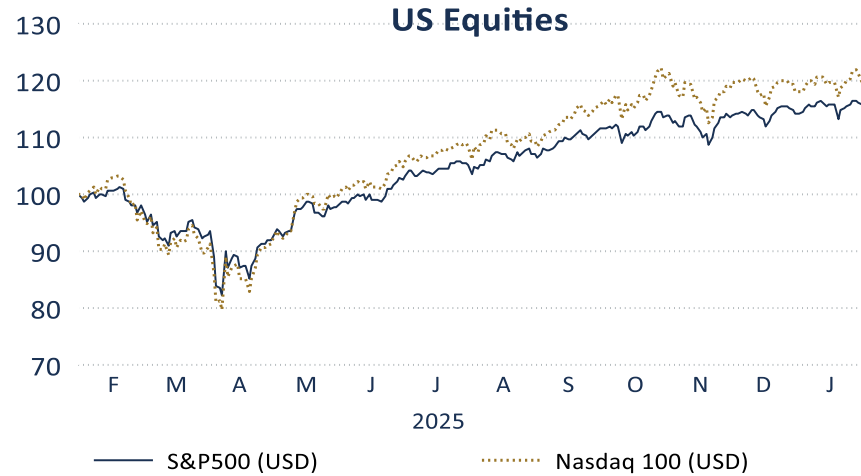
Cross Assets. Credit, Mortgages, USD and Vol



Source: LSEG Datastream, C.A.P

Equity Markets – 12 months return

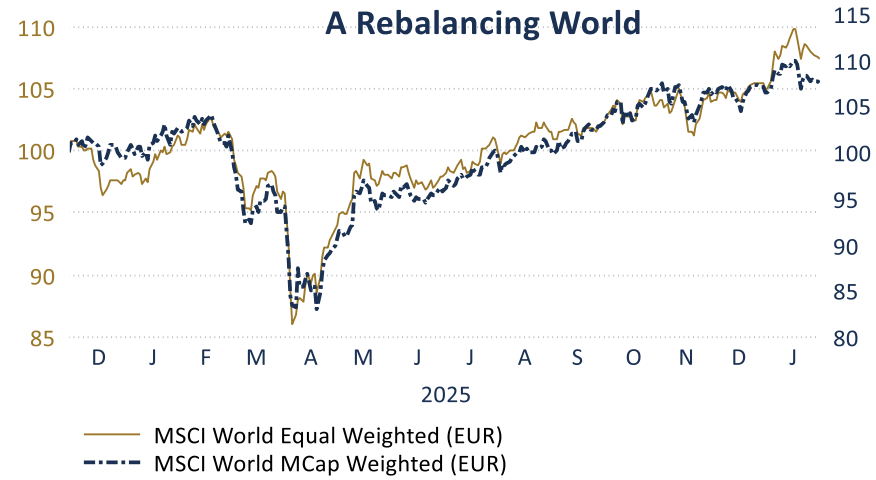
Cross Assets. Equity Markets



Source: LSEG Datastream, C.A.P

Equity Markets II – 12 months return

Equities. Style & Macro Factors



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