Market Outlook for 2026

Investment Barometer
08 January 2026

citi handlowy

Citigold®

Introduction

Dear Sir/Madam,

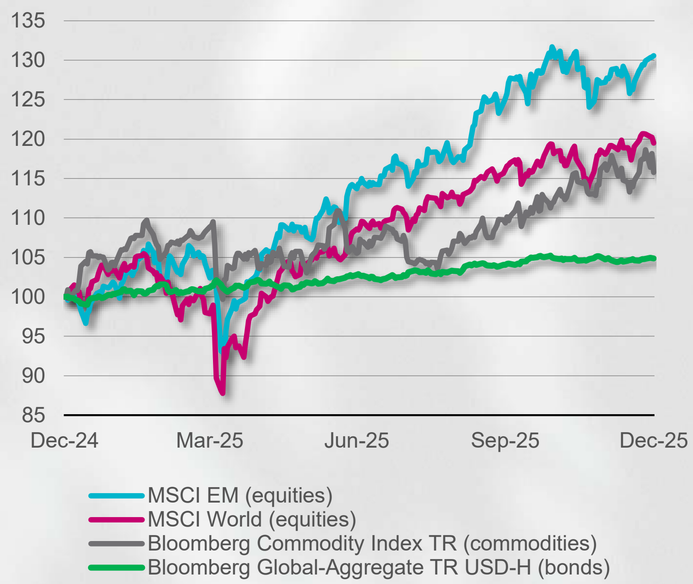
The past year was exceptionally successful for financial markets. Returns across the vast majority of asset classes ended firmly in positive territory. Once again, equity markets reminded us that volatility is their natural feature, and the declines seen at the beginning of April were more than fully recovered. The strength of the equity market was directly linked to rising corporate earnings. The business landscape is changing before our eyes, with technology playing a pivotal role. Winners are those who are unafraid of innovation and who can successfully implement the latest solutions in artificial intelligence and automation. The global geopolitical landscape and spheres of influence are also evolving, prompting companies to more and more rigorously scrutinize their supply chains. Global economic openness is no longer a given. One consequence of these developments has been the diversification of central banks reserves, a weakening of the U.S. dollar, and rising gold prices. Interest rates of major central banks were reduced, leading to a decline in yields in the case of bonds with a short time to maturity. Long-term bond yields, however, remained under pressure due to the expansionary fiscal policies pursued by the world’s key economies.

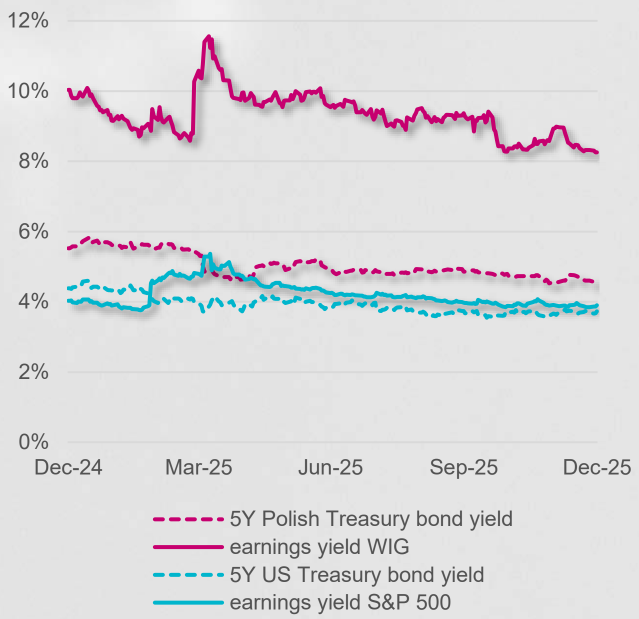
Citi economists assume that next year the U.S. Federal Reserve will continue cutting interest rates, while the European Central Bank has already ended its rate-cutting cycle. As we enter 2026, the outlook for the Polish economy reflects an interesting and positive combination of economic factors. First, investment activity is expected to accelerate significantly, which should translate into strong economic growth. According to Citi economists’ projections, Poland’s GDP will grow by approximately 4%. Inflation, which is under control, should fluctuate close to the National Bank of Poland’s target. Lower borrowing costs should also have a positive impact on the economy; last year, the Monetary Policy Council reduced the main interest rate from 5.75% to the current 4%. According to Citi Handlowy economists, we are approaching the end of the easing cycle, with only one further rate cut expected in 2026. The key constraints on more aggressive monetary easing are expansionary fiscal policy and rising public debt.

When investing, it is worth remembering that attempts at short-term market timing are usually ineffective. An approach based on discipline, conscious risk management, and the identification of long-term trends should be our priority in the coming year. For investors, the key values remain a consistently implemented investment strategy, global portfolio diversification, and aligning investments with both individual objectives and market reality. If we succeed to adapt, natural volatility will not surprise us and we will be able to avoid a number of behavioral errors. Above all, we wish you energy, optimism, and positive motivation in pursuing your plans. We also wish to encourage you to read the first New Year's edition of the Investment Barometer. We look forward to seeing you in 2026, when, as always, we will continue to support you in building and managing your investment portfolios.

Summary of 2025 and outlook for 2026

The year 2025 is history. It will go down as a period of excellent investment performance, which is clearly illustrated by the table on page 11. The undisputed leader was silver, which appreciated by as much as 148%. Gold, in turn, gained 64%. No doubt, these are impressive results. Looking more broadly, however, the Bloomberg Commodity Index Total Return (TR) ended the year up 16%. It was dragged down by falling oil prices, which was of course unfavorable for investors active in that market, but at the same time such situation – by contributing to ongoing disinflation – supported other asset classes. Among those, equities from emerging markets clearly stood out. The MSCI Emerging Markets Index gained as much as 30.6% over the past year, compared with a 19.5% increase achieved by the MSCI World Index. Within emerging market equities, the Polish stock market performed exceptionally well – the broad WIG index rose by as much as 47.3%. It is a pity that the media do not devote as much attention to the Polish stock market as they do to selected commodities or cryptocurrencies, especially since we continue to see favorable prospects for Polish assets. This applies not only to equities, but also to bonds. The Polish government bond index gained 9.5% in 2025, clearly outperforming the broad global aggregate bond index (Bloomberg Global Aggregate Total Return Index USD-hedged, which gained 4.9% – also a good result). In the Barometer, we wrote a year ago that we were entering a period of expected continuation of interest rate cuts. This gave hope for improved performance in the bond segment – and, as can be seen, this scenario materialized. What are the prospects for equities and bonds this year? We are moderately optimistic. Fundamentals remain solid. The global macroeconomic environment is fairly favorable, and corporate earnings are expected to grow this year by approximately 10–17% globally, depending on the region. We see room for further interest rate cuts (Citi Research assumes a total of 75 basis points of cuts in the USA this year, and generally even more in some emerging market countries). This is a supportive environment and a good phase of the business cycle for equities; however, high valuations should be emphasized, as they will constitute a significant constraint on future returns. A considerable source of uncertainty may also come from the outlook for AI implementation and, as always, geopolitics. In this respect, geopolitics has recently become more unpredictable than usual, and we are now entering the second year of the U.S. presidential term, which historically has been the weakest for U.S. equities within the four-year cycle. Bonds also have good perspectives; moreover, if we look at the relation of the yields on 5-year T-bonds to the earning yield (the reciprocal of the P/E 12M ratio) (chart below), they are relatively attractive as compared to shares, especially U.S. shares. The chart doesn't show this, but a similar situation exists in Europe: in the euro area, unlike in Poland or the USA, government bond yields increased last year, yet their index still ended the year with a slight increase (by around 1.5%). In Poland and the USA, as mentioned and as shown in the chart below, yields declined. Nevertheless, we still consider them relatively attractive, and as the data show, even increases in yields still offer a chance for positive investment returns. Our base case, however, assumes the opposite direction: we expect lower yields a year from now and returns that may not be as high as in 2025, but should nevertheless remain satisfactory for investors.





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Source of chart and index results: Bloomberg.

The performance of past indices is not a reliable indicator for the future.

Poland

A very successful December capped an excellent year in the Polish equity market. Over the whole of 2025, the Warsaw Stock Exchange Index (WIG) gained more than 47%, marking its highest annual rate of return since 1996. The strength of the rally was clearly correlated with company size. Blue-chip shareholders had the most reasons to be satisfied – the WIG20 index rose by more than 45%. Mid- and small-cap stocks, represented by the mWIG40 and sWIG80 indices, gained 33.6% and 25.4%, respectively. The market environment was also favorable for bond investors. The resumption of interest rate cuts in May led to a decline in yields across the entire curve, supporting price increases in the government debt segment.

Until the final session in December, it remained uncertain whether the gains from 2009 would be surpassed. Ultimately, the full-year performance of the WIG index exceeded the post–global financial crisis rebound by around 0.5 percentage points. As a result, Poland's main indices ranked among the top performers globally over the past 12 months. It is worth noting that these results were not achieved through uninterrupted growth. External and domestic factors periodically influenced the market, triggering corrections of varying severity. This was the case in early April, when Warsaw-listed equities did not remain immune to the global correction caused by the tightening of Donald Trump's trade policy. Investor sentiment deteriorated sharply, triggering dynamic declines, which exceeded 15% in case of the broad-market index. The rebound was equally rapid, and after just a dozen sessions the WIG returned to its annual highs. This was the first confirmation of the strength of last year's trend and a genuine test of investors sentiment. The subsequent months were considerably calmer, though not devoid of volatility. On a monthly basis, only August delivered a negative return. However, this was not a classic vacation month, in which – amid the absence of most market participants – a natural correction followed many months of gains. The slump we experienced was local in nature and politically driven. A draft bill significantly increasing the CIT burden on banks triggered a sell-off in that segment and weighed on indices with a large financial-sector exposure. Subsequent concerns about a tightening of the proposed changes did not materialize and, as a result, the WIG-Banks index recovered all of its earlier losses over the final three months of the year, leaving a positive backdrop going into 2026.

In the beginning of the new year, we remain optimistic about local-market assets. Despite the advanced stage of the bull market, valuation metrics for domestic equities remain attractive both historically and relative to assets in other markets and regions. A delayed but still realistic end to the war in Ukraine could support further inflows of foreign capital into the Polish market. Funds flowing under the National Recovery Plan (KPO) and the continuation of monetary easing should, in turn, help domestic companies achieve better financial results. The latter factor should be particularly supportive for the small- and mid-cap segment. While the mWIG40 and sWIG80 indices generated solid results throughout 2025, the second half of the year clearly belonged to blue chips. It is possible that this trend may reverse and that the popular small- and mid-caps will begin to deliver even stronger returns, as it has often been the case in advanced phases of bull markets. Finally, it is worth noting the still relatively high yields on Polish bonds, which – given current inflation and interest rate levels – appear to be an attractive destination for capital. At the most recent meeting of the Monetary Policy Council, Adam Glapiński (President of the National Bank of Poland) suggested a possible pause in monetary easing at the beginning of the year. However, it can be reasonably assumed that the interest rate cutting cycle in Poland has not yet ended. Further cuts should additionally improve the performance of investors' fixed-income portfolios.

In summary, there remain many factors supporting continued capital allocation to the Polish equity market. The strong gains recorded last year, however, argue for caution and for protecting portfolios against potential corrections, for example through debt instruments. In the year now underway, we may expect the Monetary Policy Council to conclude its rate-cutting cycle. The level of the reference rate at which the Council will announce the end of easing remains uncertain. Recent developments also create an opportunity for the end of the war in Ukraine. The shape of any potential agreement could have a significant impact on market trends in our region. From a global perspective, the issue of tariffs must not be overlooked. The most recent sharp market sell-off was related to them, and any renewed escalation on this front could trigger further turbulence on global stock exchanges.

Source of index results: Bloomberg. Past index results are not a reliable indicator of future performance.

USA

The year 2025 also proved successful for investors in the United States. The S&P 500 rose by 16.4%, marking the third consecutive year of double-digit gains; the technology-heavy Nasdaq gained 20.4%; and the industrial Dow Jones increased by 13%. Last year was also positive for investors in the U.S. bond market. The yield on 10-year Treasury bonds declined by 40 basis points from early January, from 4.56% to 4.16%. As a result, the U.S. Treasury bond index ended the year up 6.3%.

As regards forecasts for the newly started year, all strategists from major banks and investment firms surveyed by Bloomberg expect the S&P 500 to rise in 2026 by an average of around 9% year on year. This would mark a fourth consecutive year and the longest streak of gains in nearly 20 years. This is considerably less than the actual returns delivered by the S&P 500 in recent years: +24.2% (2023), +23.3% (2024), and +17.8% (2025). Nevertheless, analysts expect that the bull market, which began after the local bottom was set in October 2022, has not yet run its course.

The most anticipated event of December in the USA was the Federal Reserve meeting, at which – according to expectations – the Fed cut interest rates by 25 basis points to a range of 3.50%–3.75%. This marked the third consecutive cut, driven by weakening data from the U.S. labor market. The market had largely anticipated this move, assigning it nearly a 90% probability ahead of the meeting. The decision made in December was once again not unanimous, with as many as three Committee members dissenting. Austan D. Goolsbee and Jeffrey R. Schmid voted against cutting interest rates. Meanwhile, Stephen I. Miran, a member of the Board of Governors nominated in September by President Trump, once again advocated a 50-basis-point cut. Over the past several weeks, as many as five of the twelve voting Committee members have expressed skepticism about further rate cuts. The Fed also presented new macroeconomic projections and a dot plot showing each Federal Reserve official's projection for interest rates. It indicates that the FOMC projects the policy rate at 3.4% at the end of 2026 and 3.1% at the end of 2027 – implying one 25-basis-point rate cut in both 2026 and 2027. What was new and largely unexpected was the Fed's return to expanding its balance sheet. Beginning 12 December 2025, the U.S. central bank started purchasing Treasury bills (and short-term Treasury notes) issued by the U.S. government.

This development was all the more surprising given that the Fed had only just (on 1 December 2025) ended the balance sheet reduction program launched in June 2022. The move is intended to lower short-term market interest rates, as despite the recent series of rate cuts, U.S. Treasury yields remain at relatively elevated levels.

The final month of the year brought a significant release of delayed macroeconomic data for September and October, which had not been published on schedule due to the 43-day government shutdown that began in early October. Uncertainty surrounding statistical data – both inflation and employment figures, which were distorted by the altered publication cycle – should now subside, as macroeconomic releases are expected to return to their normal schedule from January onward.

In particular, weaker labor market data and the rise in the unemployment rate to 4.6% – the highest level in four years – have reignited concerns about a slowdown in the world's largest economy. Moreover, leading indicators for both manufacturing and services point to deteriorating sentiment. The manufacturing PMI stood at 51.8 in December (below the forecast of 52), while the services PMI came in at just 52.9 (versus a forecast of 54 and the prior reading of 54.1 in November).

Optimistic, however, was the preliminary GDP reading in the USA, which showed an acceleration in growth to as much as 4.3% year-on-year in the third quarter, despite expectations of 3.2%. In addition, industrial production data for October and November – released together on the same day – also came in favorably, with year-on-year growth in both months exceeding previous readings by 0.3%.

The last major report published with a delay was the November inflation data. These figures surprised the market as prices rose more slowly than economists had expected. According to the Bureau of Labor Statistics, inflation stood at 2.7% year-on-year, versus forecasts of 3.1%. The deviation from expectations was even more pronounced in core inflation, which excludes food and energy prices. In November, the pace of price growth in this category was 2.6%, while economists had been looking for 3.1%.

Source of index results: Bloomberg. Past index results are not a reliable indicator of future performance.

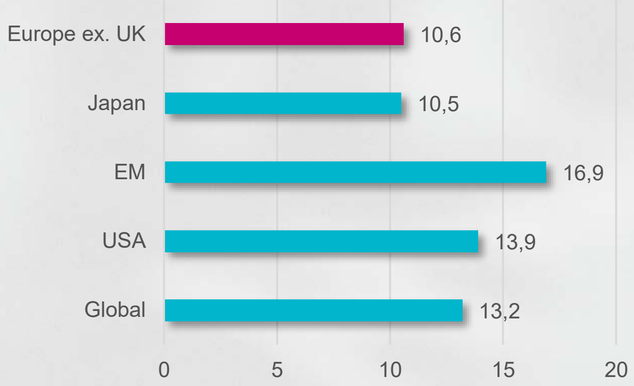
Europe

European equity markets ended the year with excellent results (Stoxx Europe 600 +16.7% and Euro Stoxx 50 +18.3%), but still slightly underperformed the broad developed markets index (MSCI World +19.5%). European bond indices also closed the year in positive territory. Government bonds posted gains of around 1.5%, while corporate bonds rose by approximately 3–4%. These are decent results, especially given that government bond yields increased over the year. However, as in the case of equities, Europe also lagged behind the rest of the world in fixed income. What is the outlook for 2026?

The macroeconomic situation is good. Citi Research's forecasts show a eurozone GDP increase this year by 1.2% – and it will accelerate to 1.5% in 2027. Inflation is projected to remain in the range of 1.6–1.7%, clearly below the ECB's target. The latest preliminary HICP inflation reading for December stood at 2%. The disinflation process is therefore expected to continue, and there is no risk that the ECB would need to tighten monetary policy.

Equity valuations in Europe are significantly lower than in the USA based on the 12-month forward P/E ratio (around 15.5 for the Stoxx 600 versus approximately 23 for the S&P 500), which should be supportive for European indices. However, attention should also be paid to the PEG ratio (chart on page 8), which indicates that relative to expected EPS growth, European companies are in fact valued quite highly. The same applies from a historical perspective – the median 12-month forward P/E over the past 15 years is around 14.5, and current levels are close to the 85th percentile. EPS growth this year is expected to amount to around 10–11% (consensus, with Citi Research assuming +8%), i.e., below the projected growth in the USA (+14% year on year, chart alongside). An additional concern is the trend in EPS revisions, which in Europe has been downward. The opposite is true for emerging markets, the USA and Japan, where EPS forecasts have been revised upward in recent weeks. According to Citi Research, Europe has been suffering in this respect due to U.S. tariffs and last year's appreciation of the euro. As Citi strategists note, however, these factors have eased in recent months. Moreover, they see strong support for equities in the loose fiscal policy stance of European countries, and in their view this factor is not yet reflected in valuations. In addition, the news flow in Europe is improving, EU policy is beginning to shift in a more favorable direction, and energy prices continue to decline (from 2026 onward, for example, a clear oversupply of gas relative to demand is expected to emerge; gas prices in Europe are already falling, and such an oversupply offers hope that this favorable trend for Europe will be sustained).

Consensus forecast for earnings per share (EPS) growth in 2026 for selected regions (%) (source: Citi Research)



At the end of 2025, a significant amount of uncertainty emerged in the market related to investor concerns about the prospects for implementing artificial intelligence across companies and economies. Contrary to appearances, Europe is not lagging behind its competitors in terms of AI spending. According to Citi Research, Stargate (a flagship program in the USA) is expected to absorb USD 500 billion over the coming years. Meanwhile, Europe's InvestAI and TechEU programs are estimated at USD 290 billion, with additional French and German initiatives budgeted at USD 112 billion and USD 9 billion, respectively – bringing the total to USD 410 billion. By comparison, China is expected to allocate around USD 230 billion to AI-related funds, while South Korea and Japan are each planning to spend approximately USD 130 billion. This suggests that Europe should not fall behind in this area.

Relatively high yields should also deliver satisfactory returns in the debt market in 2026. While high-yield bond spreads are very tight (currently around 2.65 percentage points, versus a minimum of approximately 2.3 percentage points over the past 15 years), current yields of around 5% should more than compensate for any potential modest tightening in spreads. High yields are also visible in the government bond market. Levels of around 4.4% for Great Britain, 3.5% for France, and 2.8% for Germany on ten-year bonds are, in our view, quite attractive, even in the context of increased fiscal spending. These levels are effectively very close to ten-year highs. With stable – or possibly still declining – inflation, it would not be an exaggeration to speak of an investment opportunity in the government bond market.

Source of index results: Bloomberg. Past index results are not a reliable indicator of future performance.

Emerging markets

We have just closed an excellent year for investors in emerging markets. The MSCI Emerging Markets equity index gained 30.6%, while bond markets also recorded spectacular growth, with returns (depending on the index) in the range of 10–15%. The main drivers behind these gains were a weak U.S. dollar (the DXY index lost nearly 10% in 2025), solid macroeconomic data from emerging economies (as reflected, for example, in CESI and EM Composite PMI readings shown in the charts), continued interest rate cuts by emerging market central banks in line with ongoing disinflation, and the expansion of global trade.

The MSCI EM last outperformed the MSCI World over a full calendar year in 2020, and this has happened only four times over the past ten years. This shows that, for emerging markets, last year's outperformance was historically rather exceptional. Moreover, the ten-year performance of the MSCI World is clearly superior, which further supports this observation. This may suggest that emerging market equities will not have such an easy environment this year, which does not mean that their outlook is unfavorable – we believe it remains positive. The factors mentioned above (a weak dollar, supportive macro conditions, solid corporate earnings, interest rate cuts, and continued growth in trade) may well continue this year. Emerging market economies are expected to grow at a moderately solid pace (around 4% year on year in 2026) with stable inflation (around 3% year on year in 2026, according to Citi Research). EPS is expected to increase by as much as 17% this year. In addition, emerging market equities continue to trade at a valuation discount to developed markets: the 12-month P/E for MSCI EM stands at 14.1 versus 20.7 for MSCI World. The discount is therefore nearly 7 points, compared with a median and average over the past ten years of around 5 and 6 points, respectively.

Emerging markets are also being supported by the recently observed decline in geopolitical risk, although prospects for a rapid end to the war in Ukraine should be assessed with caution. Developments in Venezuela, meanwhile, have not so far had – and are unlikely to have in the near future – a major direct impact on financial markets. Paradoxically, if any impact were to materialize, it could even be positive due to the potential for lower oil prices resulting from increased supply from Venezuela. However, Venezuelan crude oil is exceptionally heavy and viscous. This high-sulfur crude oil more closely resembles semi-solid tar than the much lighter liquids extracted from U.S. shale formations, which makes it difficult to extract and process into gasoline, diesel, jet fuel, and feedstocks for the chemical industry. That said, many U.S. refineries were originally built specifically to process this type of crude oil.

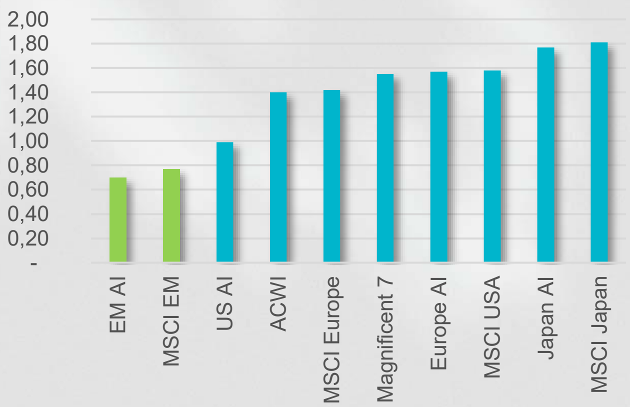
As a result, the United States remains one of the world's major oil importers, even though it is simultaneously one of the largest exporters. Access to Venezuelan oil at attractive prices could play an important role in further disinflation – not only in the USA but globally – and help lower costs for many companies. China faces a certain challenge here. In recent months, Venezuela has been exporting around 700,000–800,000 barrels per day. Of this amount, nearly 90% used to be sent to China, with the remainder to the USA. Going forward, one can expect all or almost all Venezuelan oil exports to be directed to the United States. China will need to find alternative sources of supply, but we do not believe this will pose a serious problem. Venezuelan imports account for only a small fraction of China's total oil consumption and can easily be replaced from other sources. Rather, this situation creates the potential for lower oil prices as a result of an expected increase in global supply (the market is already in a solid oversupply). However, it may take at least several years to unlock Venezuela's full export potential. In the late 1990s, U.S. oil imports from Venezuela reached nearly 2 million barrels per day. Analysts at Energy Aspects estimate that U.S. refineries could easily absorb an additional 1 million barrels per day from Venezuela, helping the United States reduce its dependence on more expensive imports of heavy crude oil from Canada. Restoring Venezuelan oil production to 3 million barrels per day, however, would require more than a decade of work and investments totaling approximately USD 185 billion, according to Rystad Energy (source: The Guardian). Returning to China, it is worth emphasizing that, somewhat in contrast to other emerging markets, recent macroeconomic data from China have been disappointing and require close monitoring. Residential property sales have fallen by more than half from their peak several years ago. Prices have followed suit, undermining household balance sheets – especially for those who purchased property with mortgage financing. The consequence has been weak consumer sentiment and stagnating demand. In November, retail sales in China rose by only 1.3% year on year – one of the lowest readings in modern history, excluding the COVID-19 period. The collapse of the property market has also dragged down investment, not only in buildings. In recent months, gross expenditure for fixed assets in industry and the public sector has also begun to decline (source: money.pl). Its year-on-year contraction has exceeded 10% in recent months.

Source of index results: Bloomberg. Past index results are not a reliable indicator of future performance.

As noted earlier, however, we remain moderately positive on emerging market equities. This view is shared by Citi Research strategists, who also overweight emerging market equities in their tactical portfolios. While they are somewhat more conservative than the consensus regarding EPS growth (recall: +17%), they still expect very solid profit growth of around 15% for emerging market companies this year. Moreover, recent weeks have seen clear upward revisions to earnings forecasts. Their positive stance, beyond strong EPS expectations, is also driven by anticipated further monetary easing by the Fed and continued support from developments related to artificial intelligence. Key EM-listed AI companies are still seeing upward revisions to EPS forecasts, which indicate their solid fundamentals. In addition, AI stocks from emerging markets are valued significantly more attractively than their developed-market counterparts (see chart below).

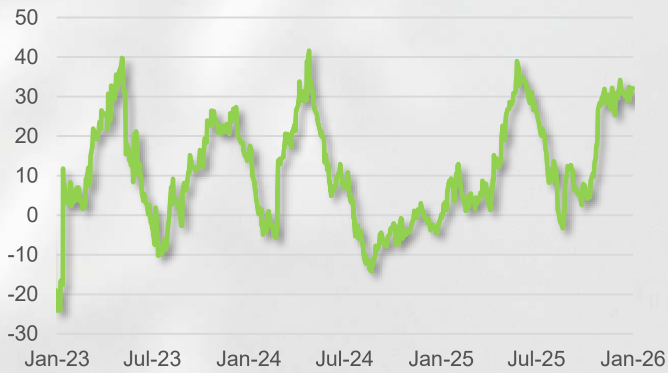
The key risks to their outlook would be a collapse in optimism surrounding artificial intelligence or a significant deterioration in the U.S. economy. For now, however, they are assuming no recession, and as they note, historically periods of a “dovish” Federal Reserve – even when combined with a “soft landing” of the U.S. economy – have been very favorable for emerging market equities. Citi Research strategists also point out that valuations are demanding. Despite the discount mentioned on the previous page, the absolute valuation level of the MSCI Emerging Markets index is, according to Citi Research, around the 95th percentile from historical perspective. However, when viewed on a relative basis (see chart below), metrics such as the PEG ratio – which relates forward P/E (12 months) to expected EPS growth this year – appear exceptionally attractive for emerging market companies.

PEG ratios – the relationship of P/E (12 months) to expected EPS growth this year (source: Citi Research)

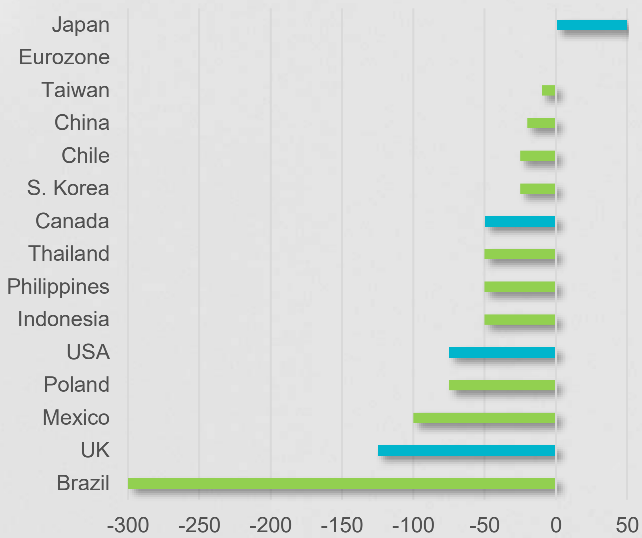


Composite PMI for *emerging markets* (source: Bloomberg)

Citigroup Economic Surprise Index (CESI) for *emerging markets* (source: Bloomberg)



Citi Research projections for interest rate cuts in 2026 by country (in basis points) (source: Citi Research)



Source of index results: Bloomberg. Past index results are not a reliable indicator of future performance.

Commodities

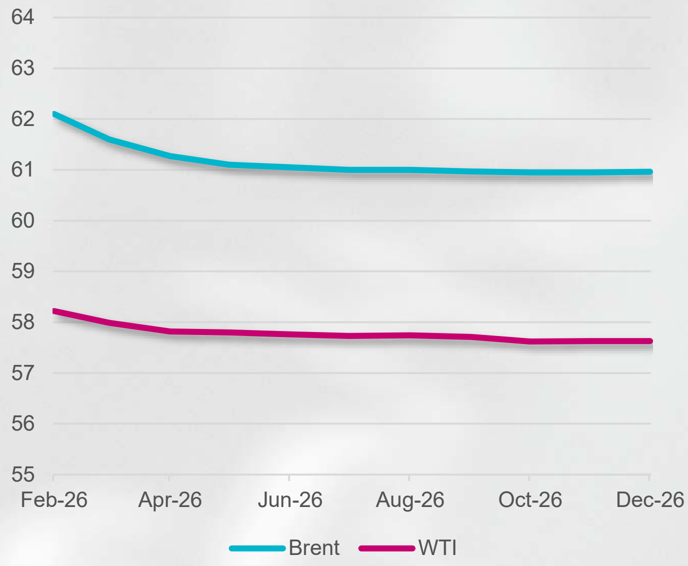
In commodity markets, the year 2025 resembled a "two-speed market." On the one hand, industrial metals (Bloomberg Industrial Metals Subindex) delivered a return of +14.5%. On the other, energy and agricultural commodities remained under pressure – the Bloomberg Energy Subindex recorded a return of -9.5%, while the Bloomberg Agriculture Index declined by 4%. Despite this divergence, the broad Bloomberg Commodity Index Total Return gained 15.8%, underscoring the selective nature of this year's trends.

Crude oil

At the beginning of 2026, the oil market is balancing between a clear short-term surplus and growing structural risk that extends far beyond a one-year horizon. From a perspective of the balance in the coming year, global supply is expected to increase by approximately 2.1 million barrels per day, while demand is projected to rise by only about 800,000 barrels per day. This implies a surplus exceeding 2 million barrels per day, which – according to forecasts – is set to persist in every quarter of 2026, with the largest imbalance occurring in the first half of the year. This surplus results both from OPEC+ decisions to ease production restraints faster than expected and from relatively solid supply growth outside the cartel. A key assumption also remains the continued flow of Russian exports. Despite sanctions on Rosneft and Lukoil, Russia has managed to sustain exports since 2022 through price discounts and intermediary networks. If this mechanism continues to function, supply-side pressure will remain elevated.

Such a configuration should lead to further increases in global oil inventories and maintain downward pressure on prices. In theory, this environment should keep the market in contango; however, the forward curve does not signal a deep structural breakdown of the type typically associated with surpluses of 2–4 million barrels per day. It is worth noting that the most important factor lies beyond the one-year horizon. The International Energy Agency is moving away from the thesis of an imminent peak in oil demand, indicating that under current policies, oil consumption could continue to grow even beyond 2040. With global consumption at around 102–103 million barrels per day and a natural field decline rate of 6–8 million barrels per day year over year, the sector must replace enormous volumes of production annually. The IEA estimates that investments of around USD 500 billion per year are required merely to maintain current supply levels. With prices around USD 55–60, investment incentives remain insufficient.

Oil futures curves (USD per barrel)
(source: CME, ICE)



In this context, the year 2026 appears to be a period of apparent abundance, in which low prices and rising inventories may discourage investment, while simultaneously increasing the risk of a much sharper supply deficit in the coming decade.

Natural gas

Natural gas was one of the worst-performing commodities in 2025 (after accounting for the negative impact of futures roll yield), mainly due to the growing LNG oversupply. Looking ahead to 2026, the market picture remains mixed, with clear divergences between Europe and the United States.

In Europe, the gas market entered the 2025/26 season with a weaker safety buffer. Storage levels peaked at 83% in mid-October and had fallen to 75% by early December, compared with 85% a year earlier and a five-year average above 80%. However, the European Commission relaxed storage requirements, allowing levels as low as 75–80%, which reduced buying pressure and allowed the TTF curve to return to a more normal shape. Investment funds shifted aggressively to the short side, moving from a net long position of 292 TWh in February to a net short position of 50 TWh by year-end, with a record gross short position of 491 TWh. This increases the risk of a potential short squeeze in the event of a colder-than-normal winter. Balance estimates suggest that Europe could end the 2025/26 season with inventories around 25%.

Source of index results: Bloomberg. Past index results are not a reliable indicator of future performance.

In the United States, the 2026 outlook is more closely tied to the global LNG market. The EIA forecasts an average gas price of USD 4.0/MMBTU in 2026, compared with around USD 3.4/MMBTU in 2025, implying a 16% increase supported by stronger heating and export demand. At the same time, the sharp expansion of LNG export capacity in 2026–2028 raises the risk of a pronounced oversupply. According to S&P Global Energy, global LNG supply is expected to increase by around 10% in 2026, which would mark the largest year-on-year expansion since before the COVID-19 pandemic.

Precious metals

The precious metals market ended 2025 in exceptionally strong condition, but the scale of gains increasingly heightens sensitivity to risk factors in 2026. Gold has doubled in value in less than two years, and in the third quarter of 2025 alone, global demand reached a record 1,313 tons, according to the World Gold Council. The ETFs alone added 222 tons to it portfolios in the last quarter, pushing global holdings toward the historical peak of November 2020. The value of gold in ETFs again exceeded USD 200 billion, highlighting the scale of institutional capital engagement. At the same time, short-term risks are largely technical. The rebalancing of major commodity indices in January, including the Bloomberg Commodity Index, could force significant futures selling, generating elevated volatility at the start of 2026. Over the longer term, risks for gold would include rising real yields or a pronounced return of risk appetite, which could reduce demand for “safe haven” assets.

Silver is in an even more sensitive position. The market has struggled for years with a structural deficit resulting from rapidly growing industrial demand – particularly from the photovoltaic sector – while supply has remained largely unchanged. The value of silver held in ETFs has approached USD 70 billion, more than twice the levels seen in 2011 and 2020. December increases in COMEX margin requirements – totaling 35% to USD 25,000 per contract – historically resemble periods preceding sharp corrections, such as those in 1980 and 2011. While fundamentals remain strong, the scale of speculative positioning significantly raises the risk of a correction following more than a 160% gain in 2025.

Copper

The copper market enters 2026 with a clearly tight supply side, which has supported high prices in recent months. A key event in 2025 was the suspension of production at the Grasberg mine in Indonesia, responsible for approximately 4% of global output, which restricted availability and tightened the balance for the following quarters. Although some mining areas resumed operations in November, the main zone, accounting for 70% of production, will gradually rebuild capacity, with full recovery not expected until 2027. Disruptions at Kamoa-Kakula in the Democratic Republic of the Congo and El Teniente in Chile further exacerbated the deficit, which is estimated at around 200,000 tons in 2025 and up to 600,000 tons in 2026. At the same time, demand remains mixed. Weakness in China’s real estate sector is limiting consumption, and the decline of the Yangshan premium from over USD 150/t to its lowest level since July signals caution among importers. The absence of clear signs of demand acceleration, elevated exchange inventories, and lower activity at Chinese smelters increase the risk of a short-term correction, despite still solid long-term fundamentals.

Source of index results: Bloomberg. Past index results are not a reliable indicator of future performance.

Rates of return and indices of selected indices (as at December 31, 2025)

Equities	December	2025	3 years	P/E	P/E (12M)	DY
WIG	4,8%	47,3%	104,0%	15,8	10,9	3,9%
WIG20	6,1%	45,3%	77,7%	14,5	10,3	4,3%
mWIG40	1,4%	33,6%	97,0%	18,9	12,2	3,0%
sWIG80	0,9%	25,4%	69,1%	46,2	12,6	3,1%
S&P 500	-0,1%	16,4%	78,3%	25,5	22,9	1,2%
Nasdaq Composite	-0,5%	20,4%	122,1%	36,4	29,4	0,6%
Eurostoxx 50	2,2%	18,3%	52,7%	17,6	16,9	2,7%
Stoxx 600	2,7%	16,7%	39,4%	16,6	15,6	3,0%
MSCI Japan	0,9%	21,8%	81,7%	18,0	17,3	2,0%
Hang Seng	-0,9%	27,8%	29,6%	12,4	12,1	2,9%
MSCI World	0,7%	19,5%	70,2%	22,6	20,7	1,6%
MSCI Emerging Markets	2,7%	30,6%	46,8%	16,5	14,1	2,3%
MSCI EM LatAm	-0,5%	46,2%	27,3%	12,3	11,0	5,6%
MSCI EM Asia	2,8%	29,9%	50,8%	17,5	15,0	1,8%
MSCI EM EMEA	4,6%	49,3%	88,6%	12,3	9,1	3,3%
MSCI Frontier Markets	4,7%	41,6%	59,7%	12,9	9,7	3,4%
Commodities						
Brent crude oil	-3,7%	-18,5%	-29,2%			
Copper	9,6%	41,1%	49,1%			
Gold	1,9%	64,6%	136,8%			
Bloomberg Commodity Index TR	-0,3%	15,8%	12,3%			
Bonds						
U.S. – Treasury	-0,3%	6,3%	11,3%			
Polish – Treasury	0,5%	9,5%	27,6%			
EM – Treasury (in USD)	0,6%	13,6%	37,0%			
Global – aggregated (USD-hedged)	-0,2%	4,9%	16,2%			
Global – Treasury (USD-hedged)	-0,4%	3,5%	13,8%			
Global corporate – Investment Grade (USD-hedged)	-0,1%	6,8%	20,2%			
Global corporate – High Yield (USD-hedged)	0,6%	8,2%	33,3%			
Currencies						
USDPLN	-1,7%	-13,1%	-18,0%			
EURPLN	-0,5%	-1,5%	-10,0%			
EURUSD	1,3%	13,4%	9,7%			
USDJPY	0,3%	-0,3%	19,5%			
Dollar Index Spot	-1,1%	-9,4%	-5,0%			

Source: Bloomberg

Glossary

C/Z (12M), leading P/E, P/E (12M)	estimated price/earnings ratio showing how much you have to pay for one unit of estimated earnings per share for the next 12 months calculated by dividing the current price of the company's share by earnings forecast by analysts (consensus) for the indicated period (12 months)
C/Z, trailing P/E, P/E	historical price/earnings ratio showing how many monetary units you have to pay for one monetary unit of earnings per share from the last 12 months calculated by dividing the current price of the company's share by earnings per share for the last 12 months
CitiResearch	an organizational unit in Citi Group entities dealing with economic and market analyses and research, as well as those related to individual asset classes (equities, bonds, commodities) and individual financial instruments or groups of instruments
Developed markets (DM)	developed countries, i.e. those characterized by relatively the highest GDP per capita, education and standard of living of citizens, and the most developed legal, regulatory and financial systems This group most often includes: USA and Canada, Western Europe, Japan and Australia
Div. yield (DY)	dividing the dividend per share by the market price of the share. The higher the value of this ratio, the greater the income in the form of dividends from the invested capital is obtained by the shareholder
Long term	meaning a period of more than 6 months
Drawdown	A decrease in the value of an investment from peak to low over a specified period, usually reported as a percentage between the peak and the next low
Duration	modified bond duration, which is a measure of the bonds' sensitivity to changes in market interest rates It shows how much the yield on bonds should change if interest rates change by 1 p.p.
ECB	European Central Bank
Emerging Markets (EM)	countries in the group of developing countries Their common feature is a lower level of GDP per capita than in developed economies (such as USA, Western Europe or Japan) and often faster economic growth They are also characterized by a less developed legal, regulatory or financial system. In financial markets, EM are considered to include Asia, excluding Japan, Latin America and Central and Eastern Europe
EPS	Abbreviation for Earnings per share, meaning net profit per share
Fed	Federal Reserve System, or colloquially Federal Reserve, abbreviated as the Fed, performs the tasks of the central bank of the United States
FOMC	Abbreviation for the Federal Open Market Committee. Open Market Committee is a body shaping Fed’s monetary policy.
Short term	meaning a period of up to 3 months
High Yield (HY) bonds	bonds of issuers with a non-investment grade assigned by at least one of the three major credit rating agencies, i.e. below BBB- in Standard and Poor, below Baa3 in Moody's and below BBB- in Fitch. Due to the higher risk of default of the issuer, they offer higher yields than investment-grade bonds, and their quotations are often more strongly correlated with the equity market than the Treasury bond market
Investment Grade (IG) bonds	bonds of issuers with an investment grade assigned by one of the recognized credit rating agencies, i.e. BBB- and above in Standard and Poor, Baa3 and above in Moody's and BBB- and above in Fitch.
bp	basis point, i.e. one-hundredth percentage point = 0.01%
QE	Abbreviation for Quantitative Easing, meaning an asset purchase program, which is a form of a loose ('dovish', accommodative) monetary policy conducted by the central bank
YTD (Year To Date)	the price behavior of a given financial instrument since the beginning of a current year until now
YTM (Yield to Maturity)	rate of return at maturity defining the return on the bond investment, assuming that the bond is held to maturity and coupon payments are reinvested after YTM

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