



# Unlocking Growth

The path to future returns



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# Fragmentation: how the new regime will shape markets

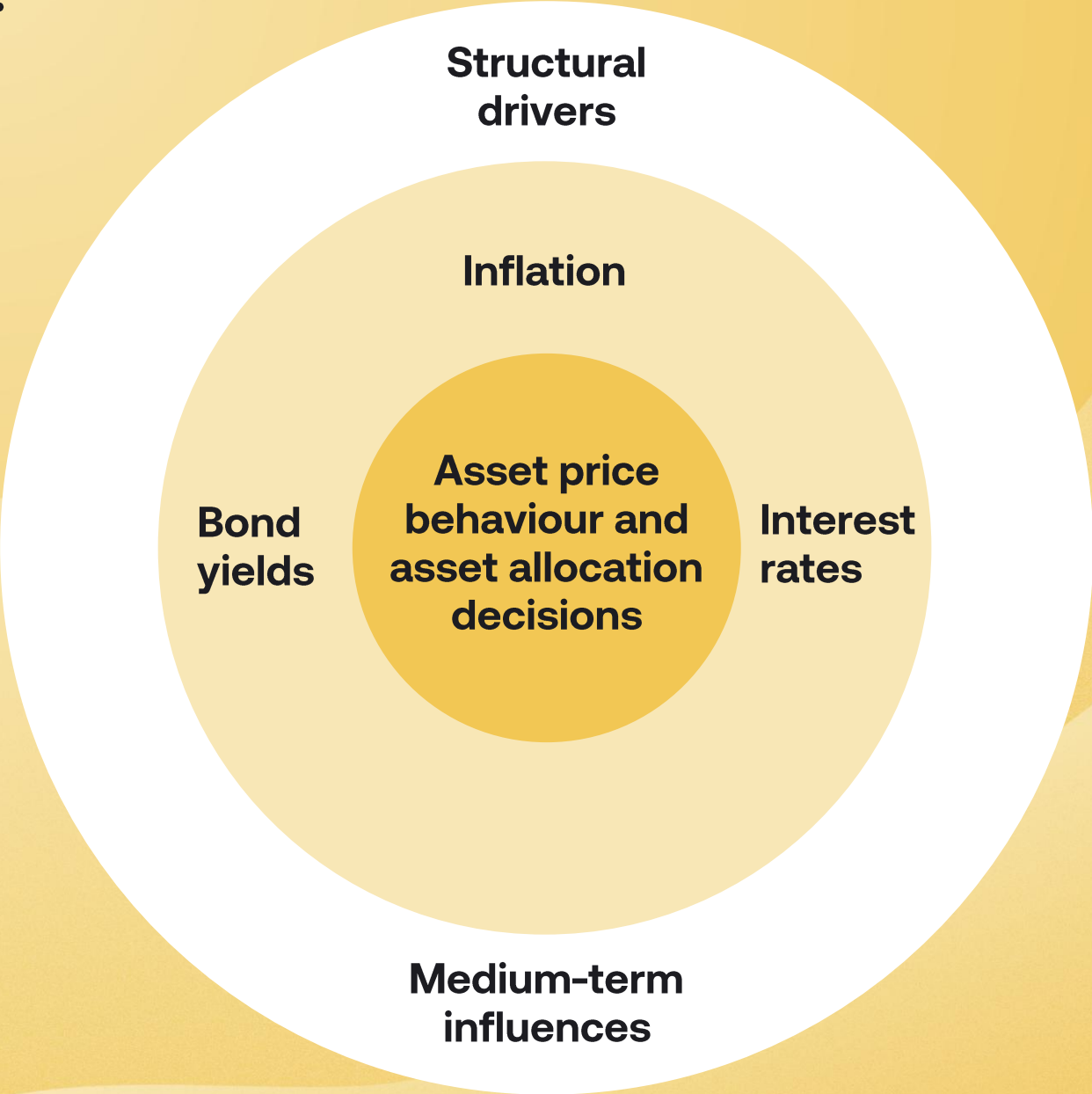
**Subitha Subramaniam**

Partner, Head of Investment Strategy



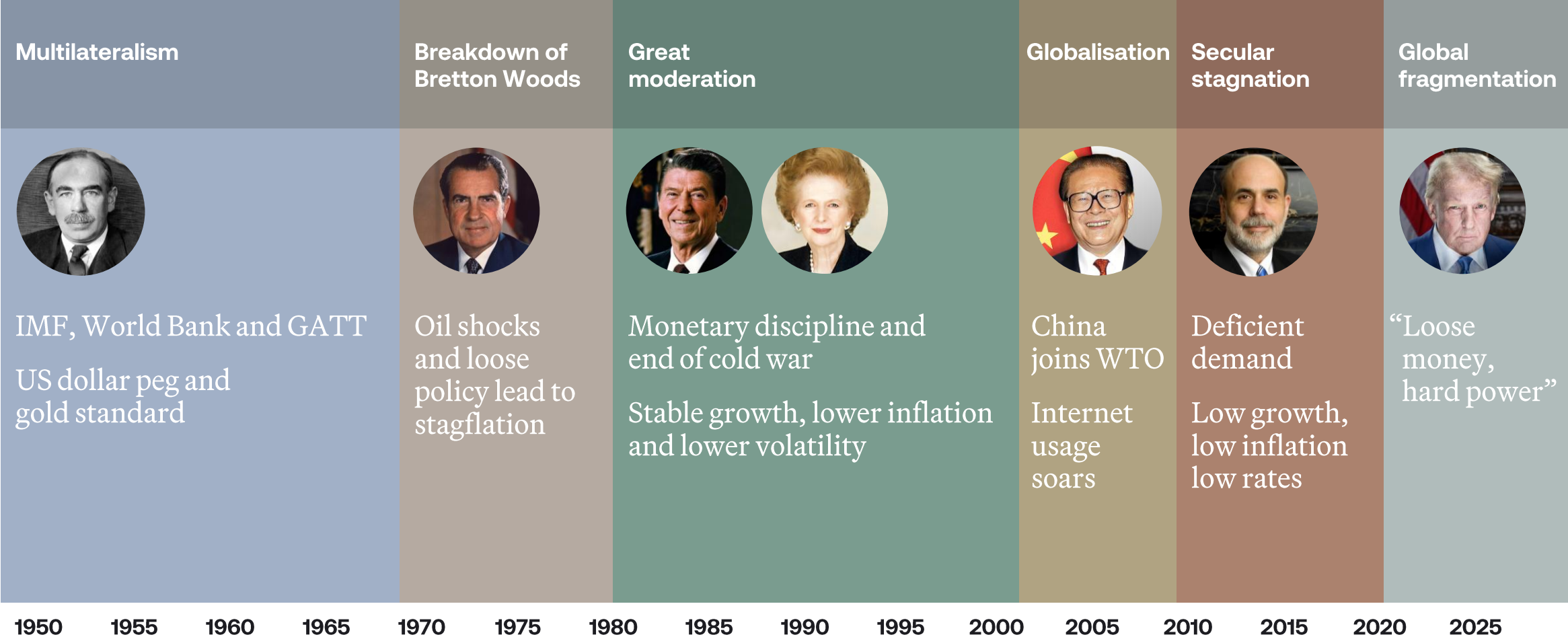
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# What is a regime?



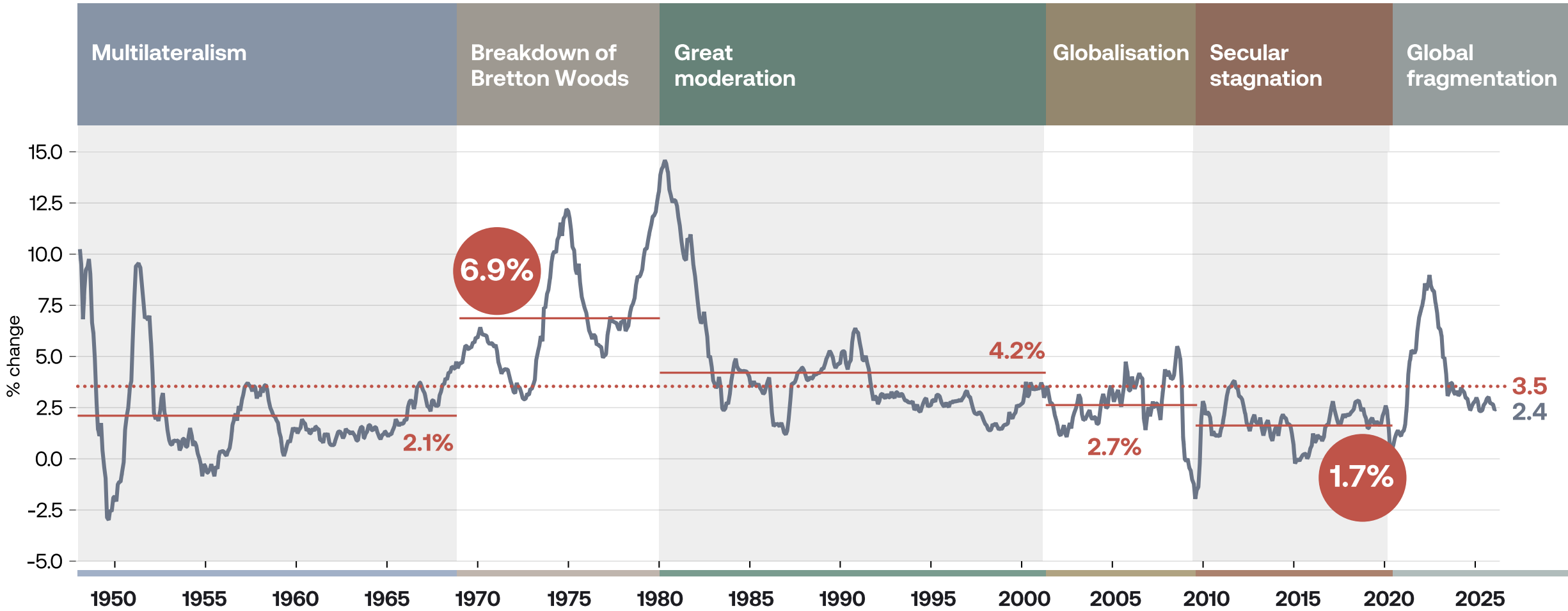
# From global cooperation to fragmentation

## Six distinct regimes have shaped markets since the Second World War



Source: Sarasin & Partners, March 2026

# US Inflation through a regime lens



Source: Macrobond, 10.03.26

Past performance is not a reliable indicator of future results and may not be repeated.

# Secular stagnation has given way to Global Fragmentation

## Great power competition

**Extractive hegemony**



**Fractured trade and finance**



**Persistent supply pressures**



**Loose money**

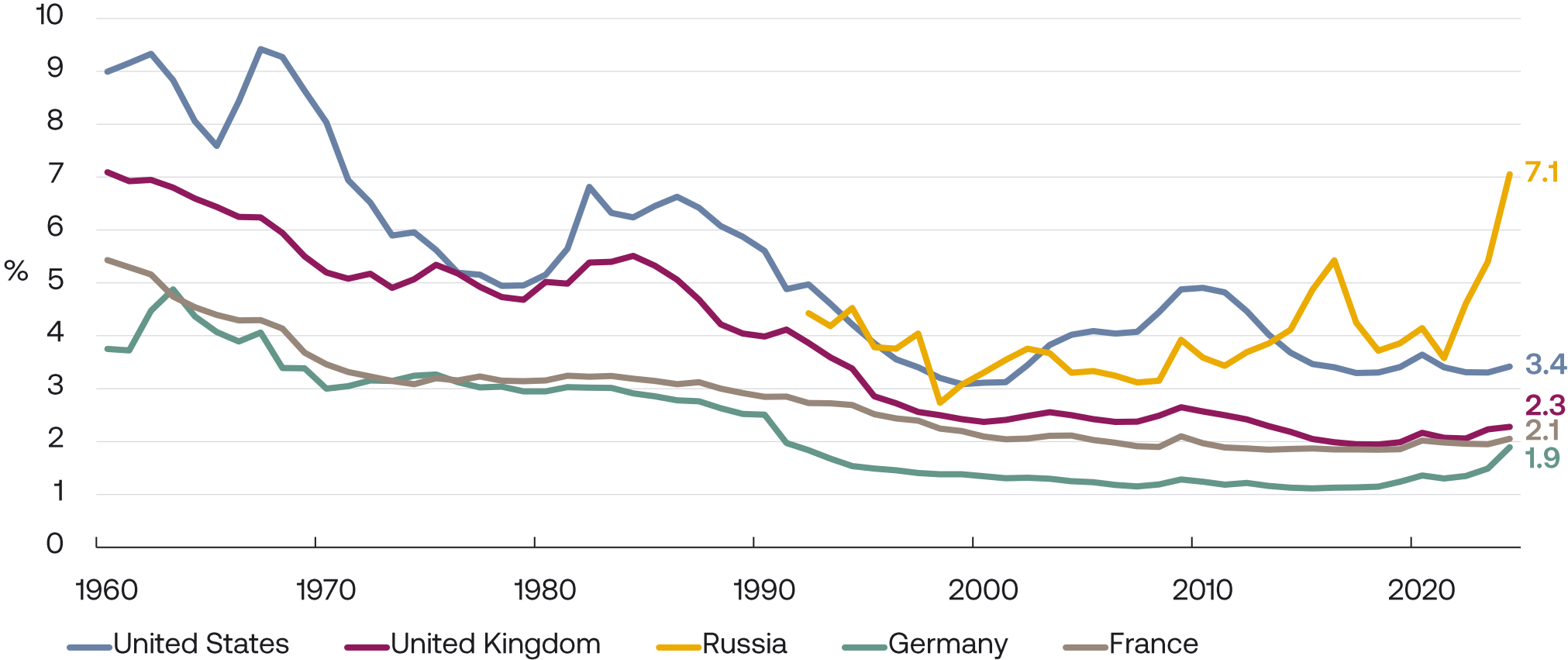


1.  
Spending on defence,  
ageing and climate to  
increase debt and  
deficits to *more*  
unsustainable levels



# Defence to meaningfully stretch the public purse

## Military expenditures

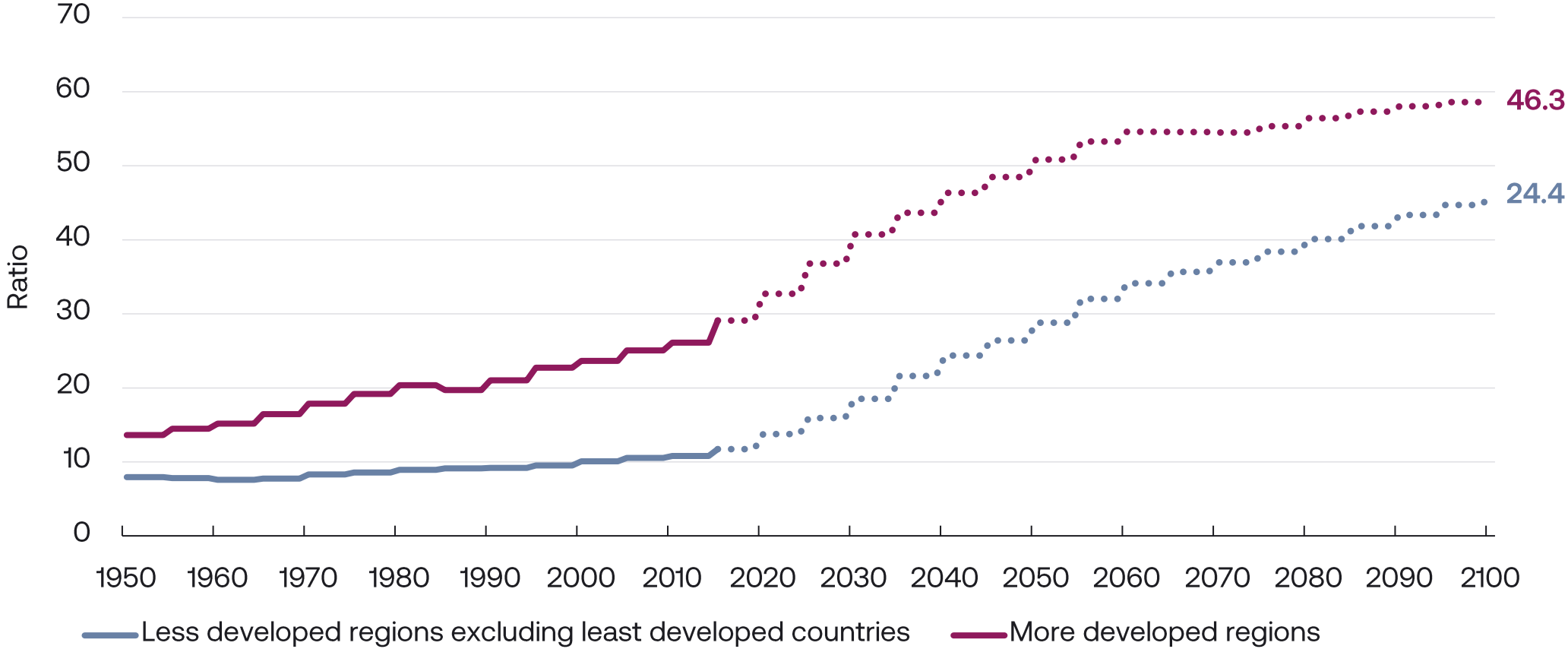


Source: Macrobond, 10.03.26

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# Old age dependency ratios

Ratio of population aged 65+ per 100 population 20-64



Source: Macrobond, 10.03.26

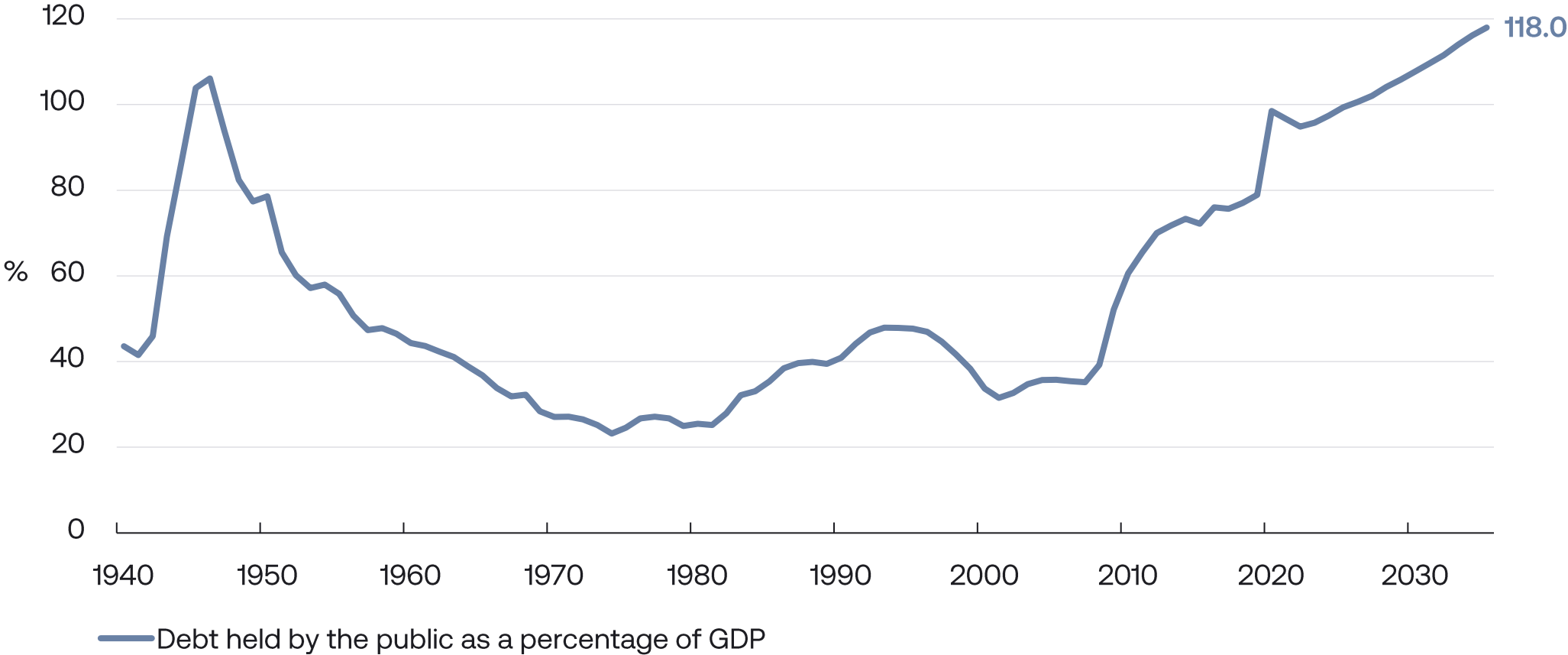
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An aerial photograph of a forest. The lower portion of the image shows dense trees with autumn foliage in shades of orange, brown, and green. Above the trees, a thick layer of white smoke or mist rises, partially obscuring the upper canopy. The top of the image is dominated by dark, dense foliage, possibly evergreens, with some bright orange highlights. The overall scene suggests a forest fire or a controlled burn, with the smoke rising from the lower forest area.

# Climate costs are going up

# Debt and deficit trajectory to raise fiscal risks

Unprecedented peace time debt levels in the US

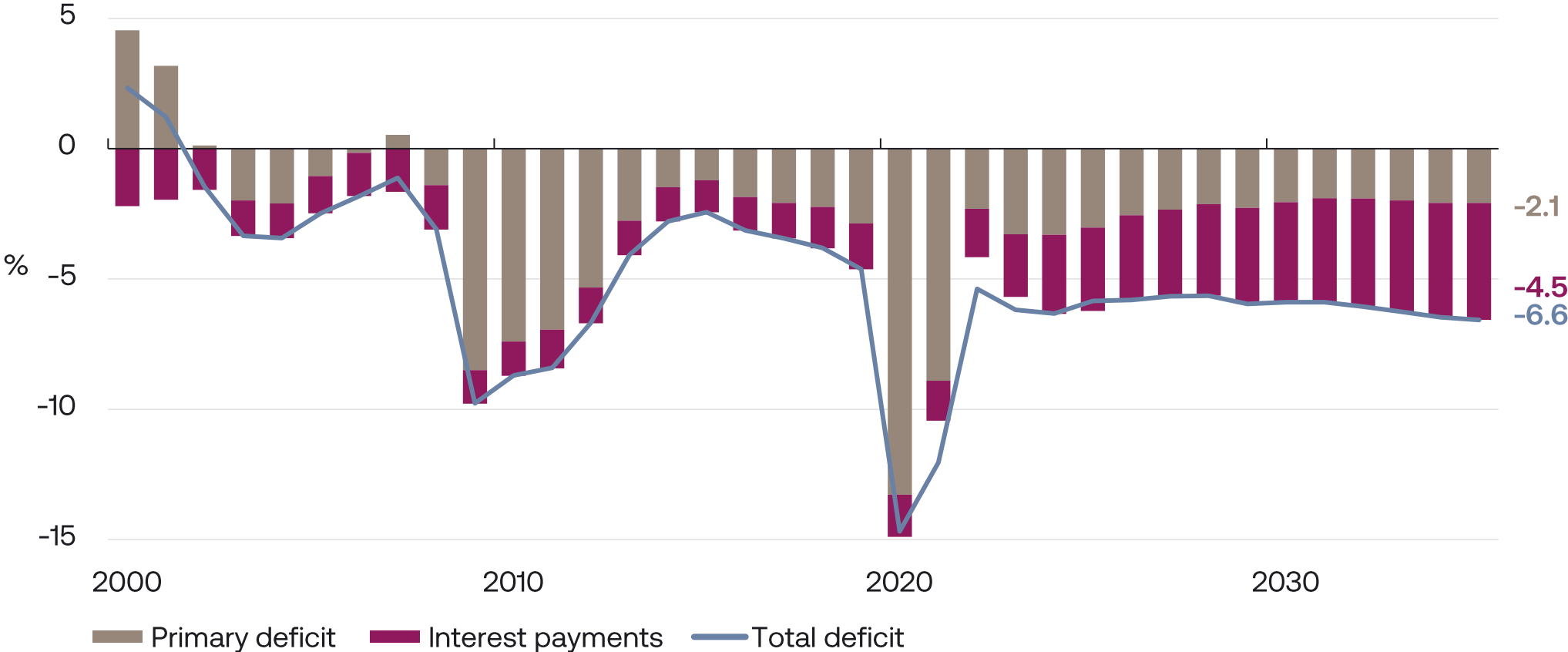


Source: Macrobond, 10.03.26

Past performance is not a reliable indicator of future results and may not be repeated.

# Managing the interest burden will become a key political priority

US: Interest burden will start to meaningfully increase deficits



Source: Macrobond, 10.03.26

Past performance is not a reliable indicator of future results and may not be repeated.

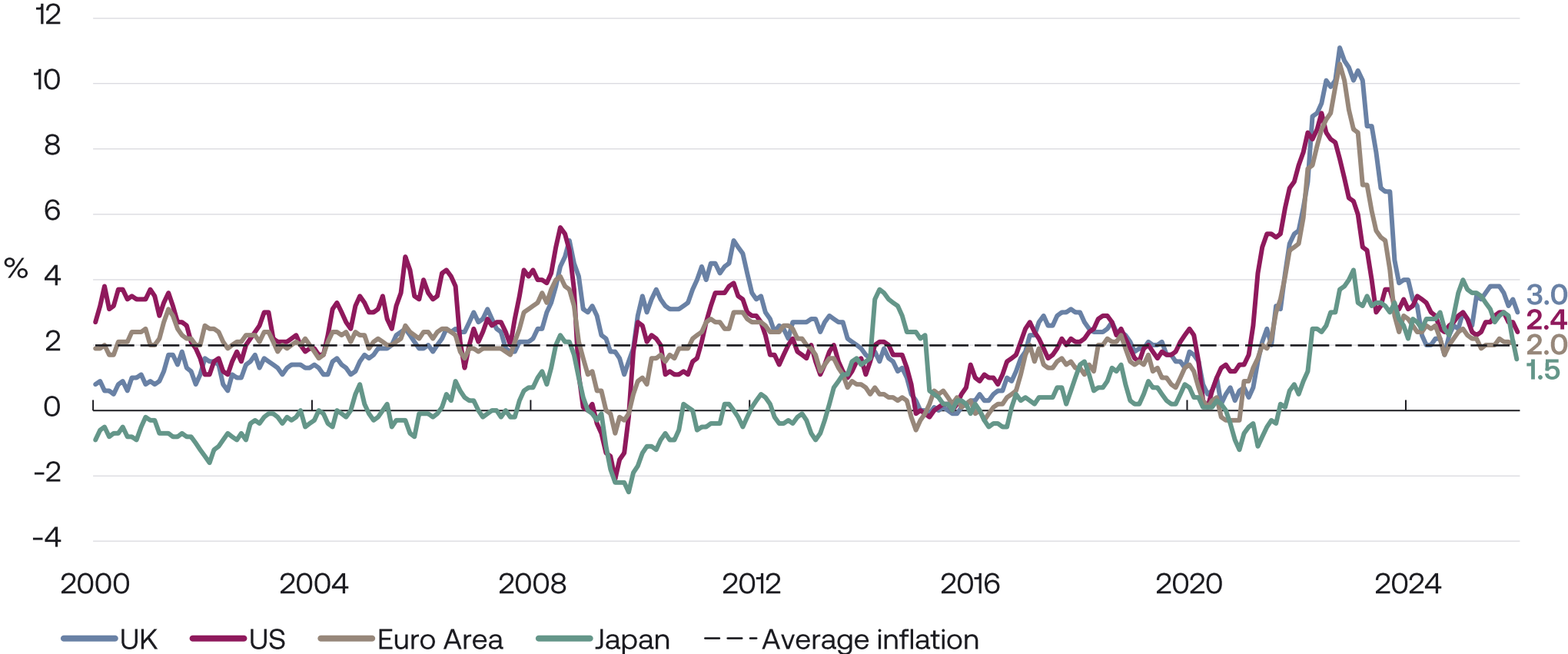
A person wearing a yellow jacket is holding a document with a table of data. The document is held in both hands, and the person is looking at it. The background is a brightly lit room with many rows of yellow seats, suggesting a stadium or arena. The lighting is warm and golden, creating a soft glow. The document has a table with several columns and rows of text, though the text is not clearly legible. The overall scene is focused on the person and the document they are holding.

## 2. Inflation will run above target

# Inflation to remain above central bank targets

## 2% inflation is likely the floor not the average

Headline CPI inflation




Source: Macrobond, 10.03.26

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# Why inflation is not heading lower

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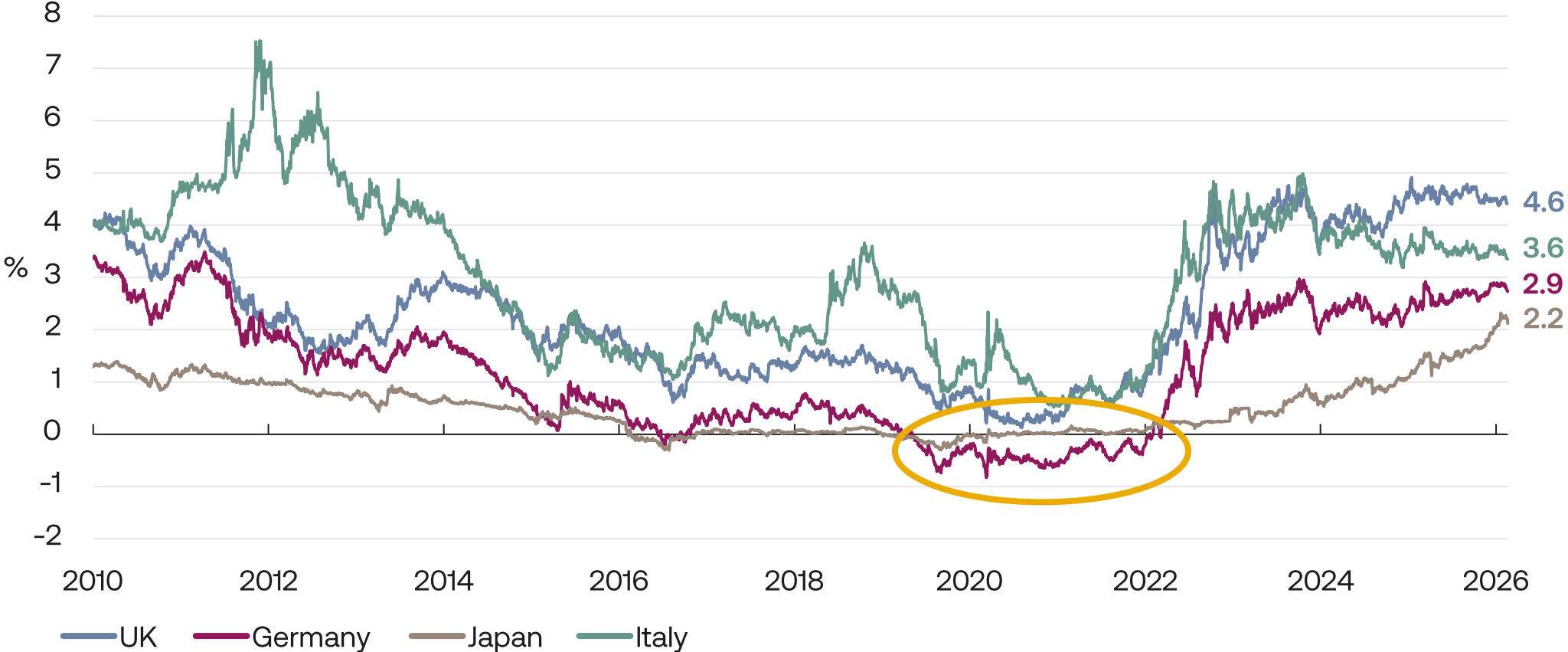
- 1 More frequent geopolitical and climate disruptions
- 2 Fiscal pressure to keep policy rates low
- 3 Slower immigration
- 4 Ageing
- 5 Supply chain restructuring



### 3. Fiscal and inflation risks to keep bond yields elevated

# Bond yields to remain high as term premiums normalise globally

10 year government bond yields

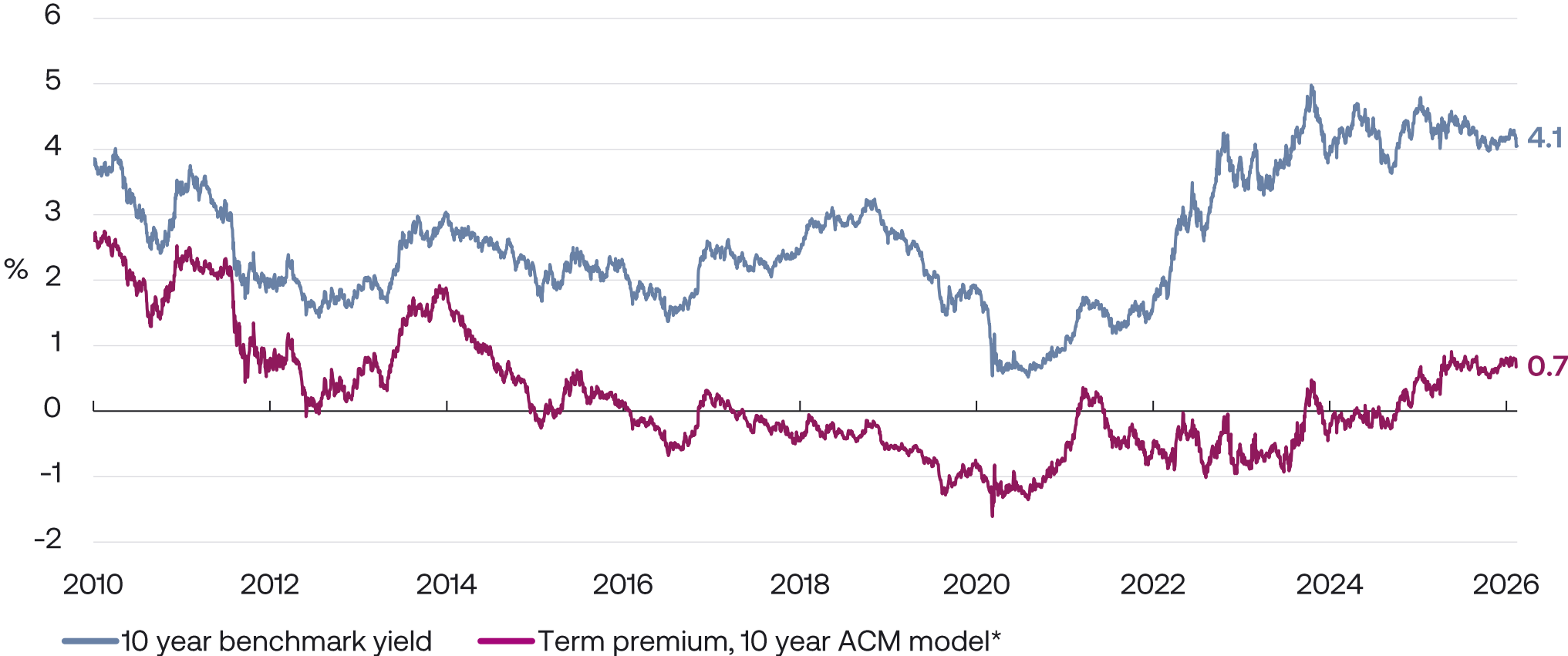


Source: Macrobond, 10.03.26

Past performance is not a reliable indicator of future results and may not be repeated.

# Bond yields to remain high as term premiums normalise globally

US Treasury yield and term premium



Source: Macrobond, 10.03.26

\*ACM model (Adrian-Crump-Moench) decomposes bond yields into expected short rates and the term premium.

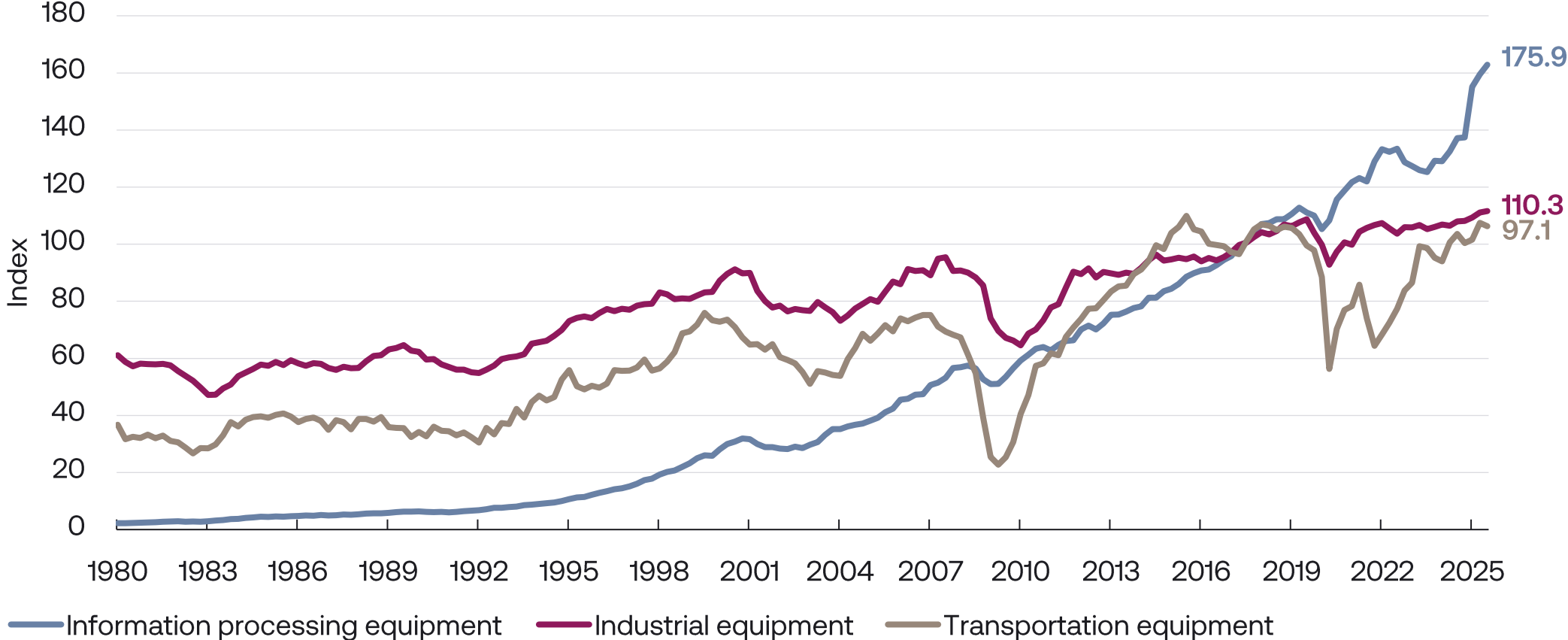
Past performance is not a reliable indicator of future results and may not be repeated.

The background features a dark, abstract digital landscape. A central element is a white wireframe face, possibly representing a neural network or AI model, with a glowing orange eye. The scene is filled with numerous thin, orange, particle-like lines and streaks that create a sense of motion and data flow. The overall aesthetic is futuristic and high-tech.

# 4. Accelerating diffusion of AI

# AI CapEx likely to turbocharge digitisation

Tax incentives (OBBBA in the US) leading to a surge in equipment CapEx

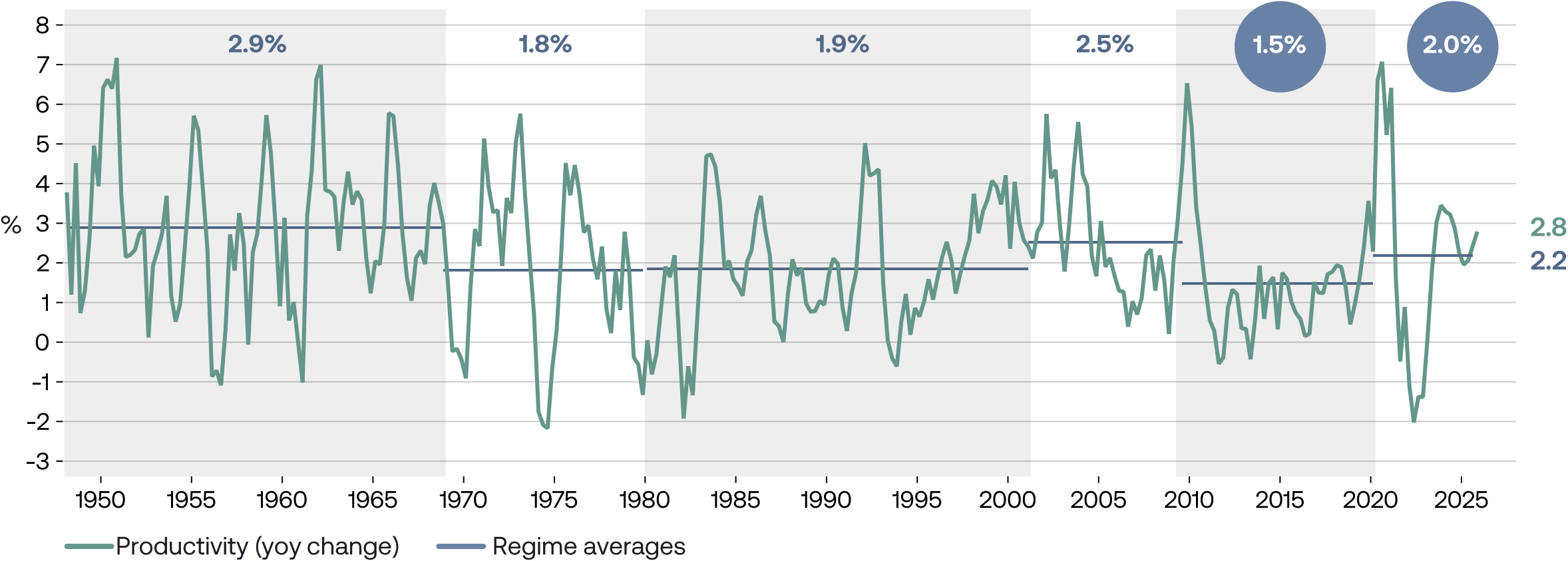


Source: Macrobond, 10.03.26

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# Productivity has started to step up

## US non-farm business productivity



Source: Macrobond, 10.03.26

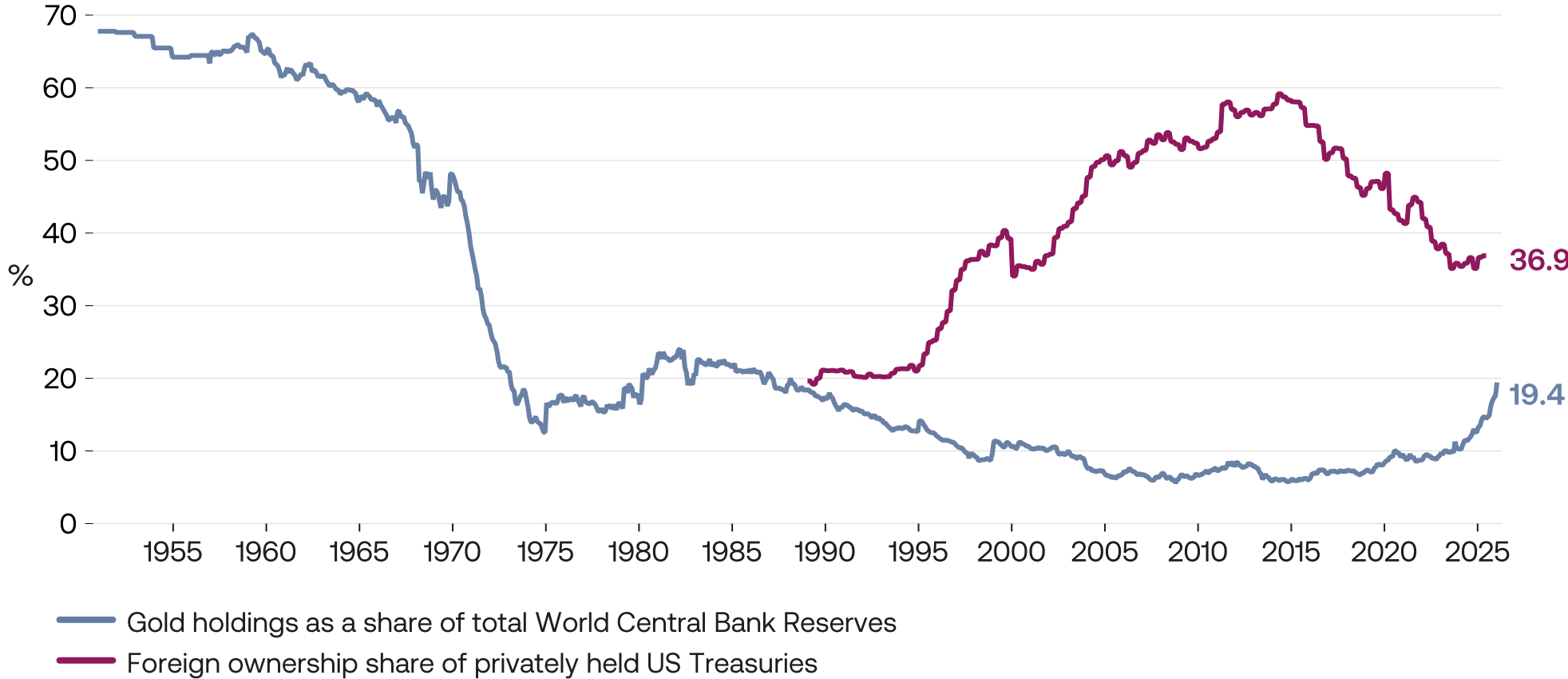
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5.  
Higher demand  
for gold as a  
store of value

# Fiscal and geopolitical risk support a strategic allocation to gold

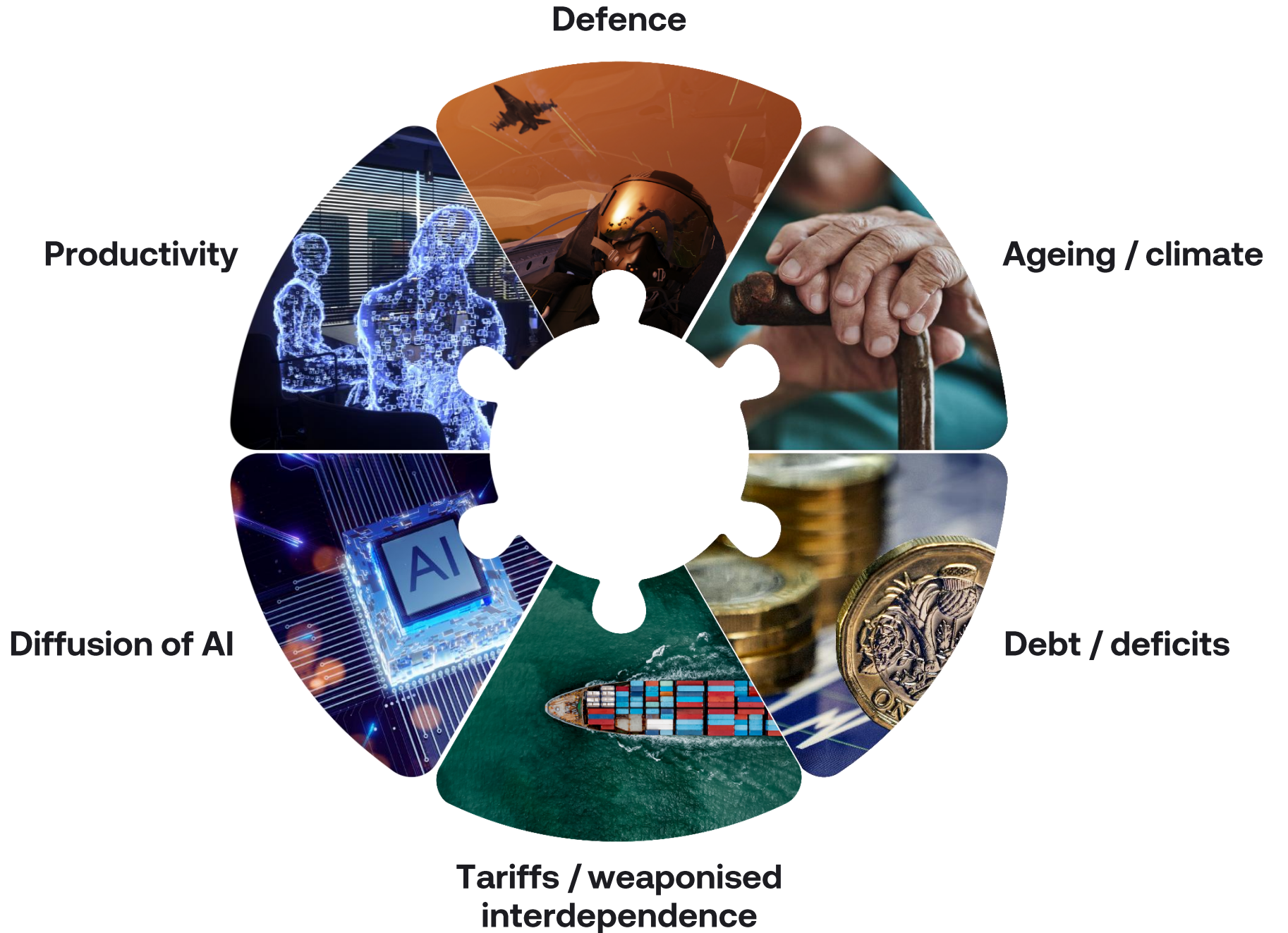
Gold holdings rise while share of US T-Bonds falls



Source: Macrobond, 10.03.26

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# Key features of an era of fragmentation



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## Implications

### Outcome

- ↑ Inflation
  - ↑ Bond yields
  - ↑ Nominal growth
  - ↑ Volatility
  - ↑ Correlations (equity / bond)
- Debasement of fiat currency

### Regime tilts

- Underweight fixed income
- Overweight equities
- Overweight gold
- Underweight dollar

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