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Structural Forces are Driving the Current Investment Environment

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The current investment environment is primarily being shaped by three structural forces—disruption, decoupling, and dislocation—amid a weakening US dollar.

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Disruption is Accelerating

Artificial intelligence, automation, and rapid technological change are reshaping industries, shifting competitive advantages, and widening the gap between winners and losers. Innovation continues to create opportunities, but it also raises the cost of weak execution and fragile business models.

Decoupling Extends Beyond the U.S.–China Relationship

Many economies (even some US allies) are reassessing strategic dependencies, restructuring supply chains, and prioritizing resilience alongside efficiency. As trade, capital flows, and industrial policies fragment, regional growth paths are increasingly diverging. It might be worthwhile to listen to that Davos speech by Canadian's PM Mark Carney….

With the Activation of the Other Forces, Dislocation Has Followed

Asset prices are more volatile, correlations less reliable, and valuation gaps have widened. Markets increasingly have been overshooting in both directions. For disciplined investors, these dislocations create both risk and opportunity.

In this environment, seek an approach grounded in valuation and fundamentals, including cash-flow durability, balance-sheet strength, competitive positioning, and management quality. Try focusing on what you can control, including the price you pay and the risk you assume.

To navigate uncertainty, carry an umbrella that provides a consistent structure that supports diversification, reinforces stock selection, and helps manage risk across market cycles.

Implications for International Investing

The aforementioned structural changes have meaningful implications for global equity markets, since they are no longer moving in lockstep. Inflation trends, fiscal positions, policy responses, and sector composition vary widely by region. As dispersion increases, so does opportunity. For example, many high-quality companies outside the United States trade at lower multiples, higher dividend yields, and with more conservative balance sheets—often reflecting skepticism rather than weakening fundamentals. This environment rewards selectivity. Try not to attempt to predict which country will outperform in the near term. The primary edge investors should possess is discipline: applying a consistent framework, buying strong businesses when expectations are low, insisting on valuation support, and constructing portfolios resilient across a range of economic outcomes.

The Shifting US Dollar Landscape

Recent U.S. dollar weakness adds another dimension to the opportunity set. For much of the past decade, dollar strength acted as a persistent headwind for international investors. That dynamic has been changing (as shown below). As interest-rate differentials narrow, fiscal pressures rise, and geopolitics become more polarized, with financial capital increasingly seeking diversification. A weaker dollar can enhance international returns through improved earnings translation and reduced valuation pressure on non-U.S. assets.

US Dollar Index: Currency Matters Again

Source: Bloomberg, from 27 January 2025 to 27 January 2026.

The Last Word

Investors naturally gravitate toward familiar markets that are closer to home. However, familiarity is not the same as safety. High concentration, elevated multiples, and reliance on narrow growth narratives can introduce risks that are often underestimated during periods of strong performance. International equities offer diversification not because they are risk-free, but because they are differently priced and differently exposed. So, in a world shaped by disruption, decoupling, and dislocation, opportunity increasingly favors active managers with disciplined processes and portfolios built to adapt.