Flash Economics

N° 6
January 15, 2026

Normally, uncertainty is associated with a fall in long-term interest rates on government debt, a fall in stock indices, an appreciation of the US Dollar, and a widening of credit spreads.

The level of uncertainty facing the global economy is very high. This includes geopolitical uncertainty (with the risk of war), economic uncertainty (related to growth and the effects of artificial intelligence), political uncertainty (uncertain outcomes of upcoming elections in the United States and Europe), and financial uncertainty (with rising public debt levels, bank deregulation, and the development of new financial assets).

Normally, high uncertainty is associated with:

- A fall in long-term interest rates on government debt, as these debts serve as a safe haven;
- A decline in stock indices, with uncertainty diverting investors away from equities;
- An appreciation of the US Dollar, which also serves as a safe haven;
- A widening of credit spreads;
- A rise in the price of gold.

However, today:

- Interest rates on government debt are rising;
- Stock indices are not trending downward;
- The US Dollar is depreciating against the Euro;
- Credit spreads remain low;
- The only development in line with expectations is the rise in the price of gold.

Perhaps uncertainty is not fully perceived by investors, or it is focused more on public finances and the situation in the United States rather than on companies.

Patrick Artus
Senior Economic Advisor
patrick.artus-ext@ossiam.com
@PatrickArtus
Patrick Artus

Isabelle Gravet
Research Assistant
isabelle.gravet-ext@ossiam.com

Marketing communication: this document is a marketing presentation. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research; and it is not subject to any prohibition on dealing ahead of the dissemination of investment research.

The level of uncertainty is very high today

Uncertainty today is very high. It concerns:

- **Geopolitical uncertainty**, with wars (Ukraine) and potential conflicts (Taiwan, Venezuela, Greenland, Iran);
- **Economic uncertainty**, with unclear growth prospects, particularly in the United States (growth is driven by consumption of the highest-income Americans, stimulated by rising stock indices), in China (growth depends largely on exports), and in Europe (growth is weakened by stagnant productivity and a declining working-age population), as well as uncertainty about the effects of artificial intelligence on employment, productivity, and capital profitability;
- **Political uncertainty**, with unpredictable outcomes of the US midterm elections and the rise of populist parties in the UK, France, and Germany;
- **Financial uncertainty**, with rising public debt levels (US, Eurozone, UK), deregulation of banks in the US, and the emergence of new financial assets (cryptocurrencies, stablecoins, central bank digital currencies).

What does a high level of uncertainty normally indicate?

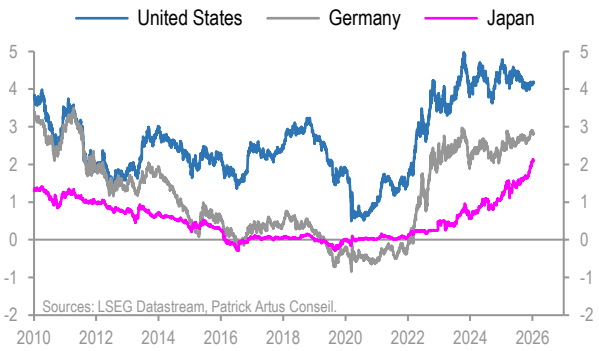
A high level of uncertainty, as seen today, normally leads to:

- **A fall in long-term interest rates on government debt**, as uncertainty usually drives investors to prefer public over private debt;
- **A decline in stock indices**, since uncertainty typically deters investors from equities, which are risky assets;
- **An appreciation of the US Dollar**, which normally acts as a safe-haven currency in periods of instability;
- **A widening of credit spreads**, reflecting the increased risk of holding corporate bonds;
- **A rise in the price of gold**, which is traditionally a hedge against uncertainty.

For example, during the 2020 Covid crisis:

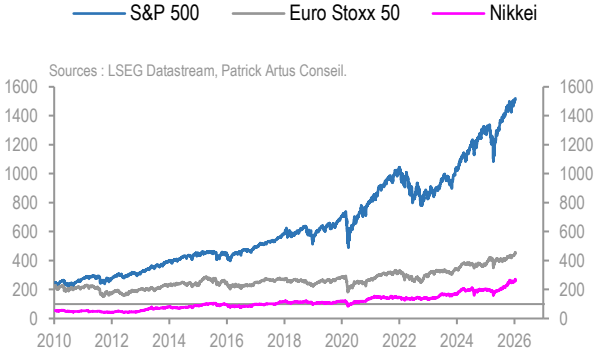
- **There was a sharp fall in long-term interest rates** (**Chart 1**);

Chart 1
Interest rate on 10-year government bonds (as %)



- **A sharp decline in stock indices** (**Chart 2**);

Chart 2
Stock market indices (01.01.2010 = 100)



- **An appreciation of the US Dollar** against the Euro between the end of 2020 and the beginning of 2022, and against the Yen since the end of 2020 (**Charts 3A/B**);

Chart 3A
Euro/dollar exchange rate (EUR 1 = USD...)

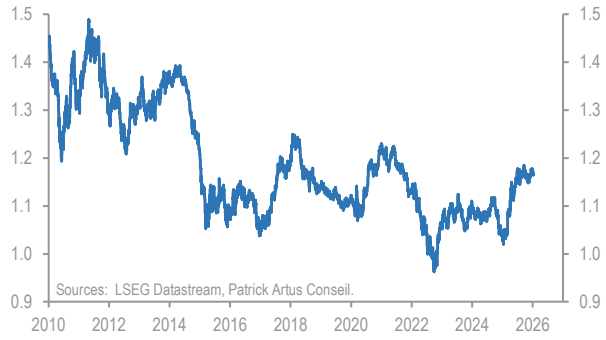


Chart 3B
Japan: Exchange rate against the dollar (USD 1 = JPY...)

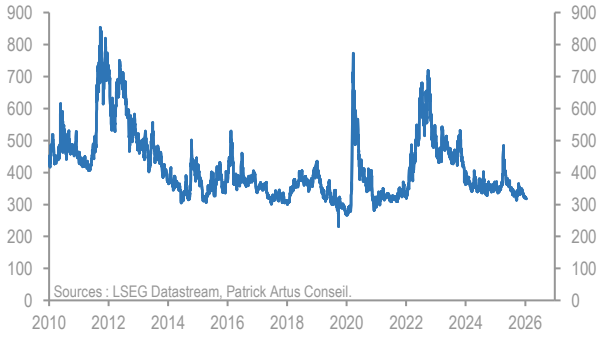


- **A widening of credit spreads**, linked to increased uncertainty about the situation of companies (**Charts 4A/B**);

Chart 4A
United States : High yield spreads (in percentage points)



Chart 4B
Europe : Itraxx crossover 10 year (bp)



- **A rise in the price of gold** (**Chart 5**).

Chart 5
Gold price (USD per Troy Ounce)



The Covid crisis therefore triggered movements in various financial asset prices in the expected direction, in line with the rise in uncertainty.

The situation today is very different

Today, we observe:

- **Since October 2025, a rise in long-term interest rates** (Chart 1, above);
- **Since the beginning of 2023, a strong increase in stock indices** (Chart 2);
- **Since February 2025, a significant depreciation of the US Dollar against the Euro**, but not against the Yen (Charts 3a/b);
- **Corporate credit spreads remain at a very low level** (Charts 4a/b);
- **The price of gold has risen sharply since the beginning of 2024** (Chart 5).

With the exception of gold, all other financial asset prices have recently behaved as if uncertainty were very low, rather than very high.

Summary: how can we explain the current situation?

How can we explain that, despite high levels of uncertainty (geopolitical, economic, political, financial), long-term interest rates remain relatively high, stock indices continue to rise, the US Dollar is weakening, and corporate credit spreads remain low?

Several explanations can be proposed:

- Uncertainty may not be fully perceived; yet, financial market participants continuously debate different types of uncertainty;
- Uncertainty is mainly focused on public finances (hence the relatively high level of long-term interest rates) and on the situation in the United States (hence the depreciation of the US Dollar), rather than on the situation of companies (hence the rise in the stock market and the low level of corporate credit spreads).

The risk is that, in the future, uncertainty could extend to economic growth and corporate results, which would lead to a downward correction in stock indices and a widening of corporate credit spreads.

Disclaimer

Ossiam, a subsidiary of Natixis Investment Managers, is a French asset manager authorized by the Autorité des Marchés Financiers (Agreement No. GP-10000016). Although information contained herein is from sources believed to be reliable, Ossiam makes no representation or warranty regarding the accuracy of any information of which it is not the source. The information presented in this document is based on market data at a given moment and may change from time to time. This material has been prepared solely for informational purposes only and it is not intended to be and should not be considered as an offer, or a solicitation of an offer, or an invitation or a personal recommendation to buy or sell participating shares in any Ossiam Fund, or any security or financial instrument, or to participate in any investment strategy, directly or indirectly. It is intended for use only by those recipients to whom it is made directly available by Ossiam. Ossiam will not treat recipients of this material as its clients by virtue of their receiving this material. All performance information set forth herein is based on historical data and, in some cases, hypothetical data, and may reflect certain assumptions with respect to fees, expenses, taxes, capital charges, allocations and other factors that affect the computation of the returns. Past performance does not predict future returns. Any opinions expressed herein are statements of our judgment on this date and are subject to change without notice. Ossiam assume no fiduciary responsibility or liability for any consequences, financial or otherwise, arising from, an investment in any security or financial instrument described herein or in any other security, or from the implementation of any investment strategy. This information contained herein is not intended for distribution to, or use by, any person or entity in any country or jurisdiction where to do so would be contrary to law or regulation or which would subject Ossiam to any registration requirements in these jurisdictions. This material may not be distributed, published, or reproduced, in whole or in part.