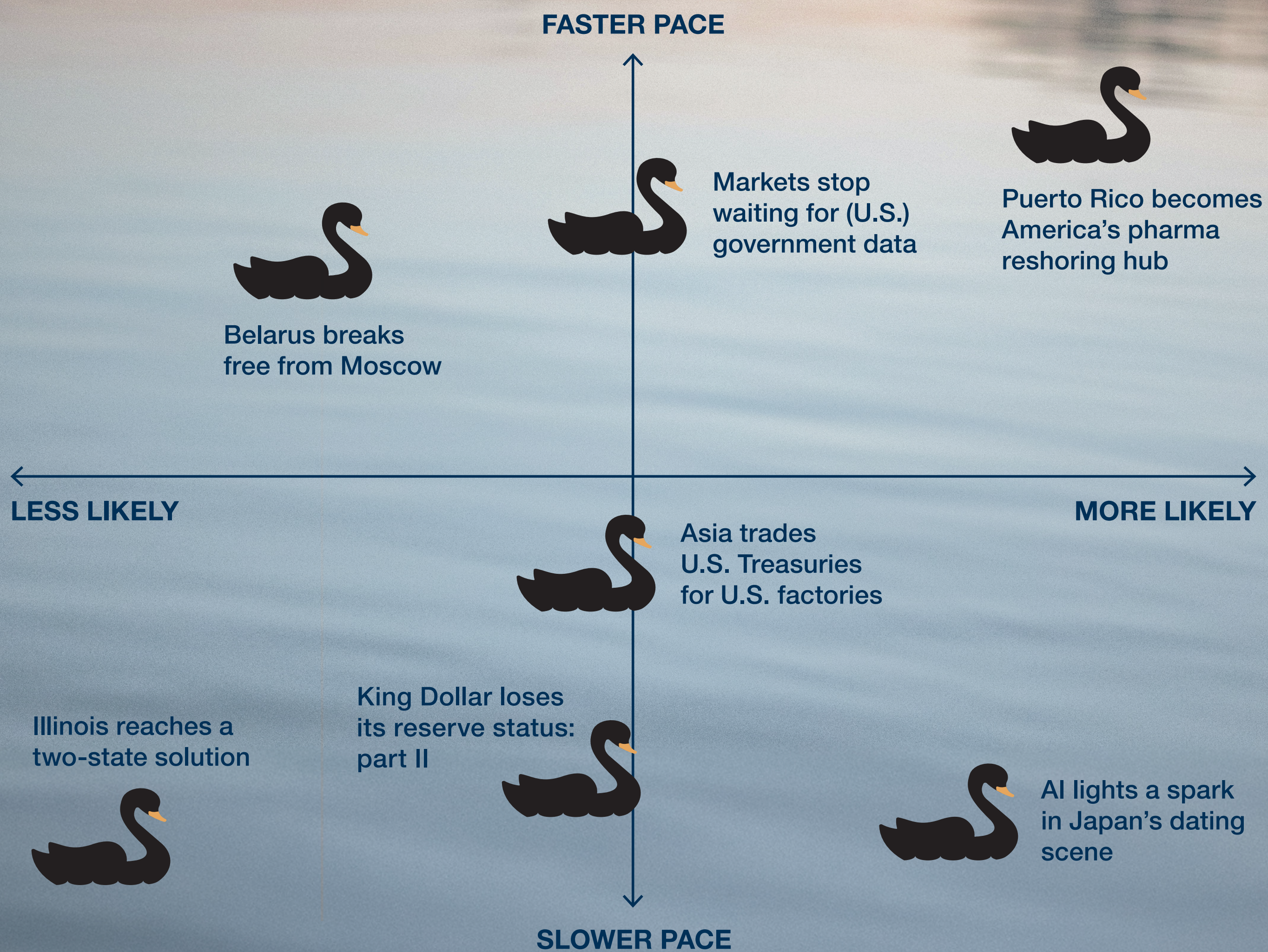
JANUARY 2026

Swan lake: the risks that would most disrupt consensus in 2026

Our top picks in evaluating the unpredictable



Opinions of the New York Life Investment Management Global Market Strategy team, January 2026.

Introduction

A *black swan* is a high-impact, unpredictable event that disrupts investor consensus. The term originates from the discovery of black swans in Australia, an event that shattered the prior belief — based on centuries of observation — that all swans were white. Investor attention around risks may ebb and flow, but these events always can, at any time and with no warning, upend entrenched economic narratives and reset market expectations.

In recent years, several black swans previously considered improbable have materialized, reshaping economic growth, market behavior, and global stability. In addition, risks we highlighted in past reports (2025, 2024) have continued to evolve, reshaping investor thinking: global shipping lanes have become more fraught, more adversaries are looking to cut undersea cables, and artificial intelligence has driven medical advancements. For investors, it's crucial to understand not only the direct impacts of such risks but also the cascading, non-linear effects that ripple through economies and markets.

Global economic structures and international relations are changing, with sometimes long term and unpredictable repercussions. Accordingly, we believe it is appropriate, and perhaps necessary, to consider not only the upside and downside scenarios to our base case views, but also "black swan" events that, though incredibly unlikely, could upend the 2026 outlook. That is one of the distinguishing factors of our analysis: we consider not the biggest or most extreme risks, but the most disruptive ones that have a clear path for taking place ***this*** year.

We prioritize key risks by considering the likelihood, severity, and speed of their impact. Then, we build scenarios to determine how that impact would be felt — and what action, if any, investors could take to mitigate or capitalize on it. While not in our base case for 2026, we believe the risks outlined here, if they were to occur, would do the most to disrupt investment allocations.

Markets stop waiting for (U.S.) government data

LIKELIHOOD: MEDIUM | SPEED: FASTER

In a typical business environment, markets move when official U.S. data speaks—jobs numbers come out monthly on a Friday, inflation numbers in the middle of the month, and reports on consumer spending and government income on a set schedule. This changed last year, when official data publication shut down along with the U.S. government for 43 days. Decision-makers leaned more heavily on private sources of data to gauge economic conditions, including Challenger's layoff reports, University of Michigan sentiment surveys, J.P. Morgan's credit-card spending trackers, OpenTable reservations, and Revelio Labs' job-posting feeds.

In fact, private data may have earned a permanent seat at the table. Models were rebuilt, alerts were set around data releases, and markets learned how to interpret these new sources. Another government shutdown, or government interference with or cuts to data publication, could prompt a more durable shift in the market's preferred tea leaves.

In 2026, newsletters and TV segments might start leading with private figures simply because they arrive first and more often. Liquidity and volatility could bunch around those release minutes, with more days trading like a "data day."

This trend could go further, too, if a system develops where basic information is free for everyone, but more detailed information is only available to paying customers. A useful precedent is the University of Michigan Consumer Sentiment Index: for a period in 2013, paying clients received data a few seconds early, which mattered for traders. Regulators weren't happy and forced a change of distribution, ending the "early peek" practice.

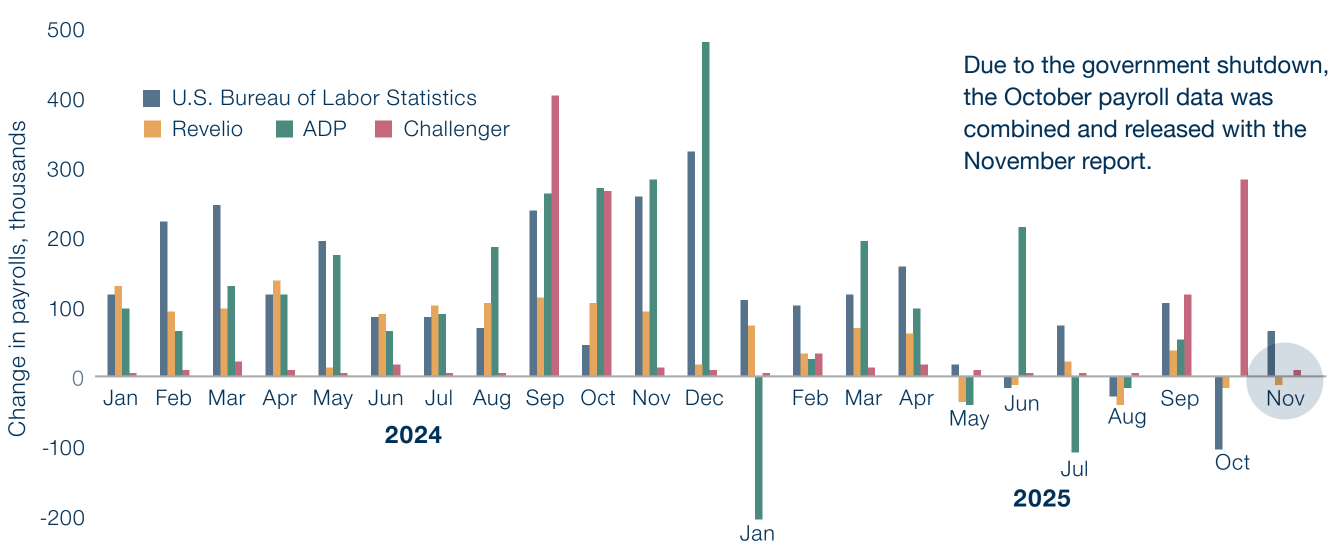
The Fed would likely still lean on official series for its benchmarks, yet speeches and research could cite private trackers between government releases. The result wouldn't be the death of official data; it would be a world where the story often starts elsewhere.

Investment implications

If Wall Street starts to prioritize private data sources over public ones, the market would likely see option traders crowding around private release minutes. Investors may start to favor firms with frequent, credible public indicators—payroll processors, banks with broad card panels, and restaurant reservation and job-post platforms—treating their data collection as strategic moats. Uncertainty may also rise as forecasters use different data sources in their models, leading to a wider range of outcomes.

Data blackout: markets may increasingly rely on alternative sources

Monthly change in private payrolls by data provider



Sources: New York Life Investment Management Global Market Strategy team, U.S. Bureau of Labor Statistics (BLS), Revelio Labs, Automatic Data Processing, Inc. (ADP), Challenger, Gray & Christmas, Inc., Macrobond, January 2026.

Belarus breaks free from Moscow

LIKELIHOOD: LOW | SPEED: FASTER

For more than three decades, Belarus has been one of Russia's most reliable allies, ruled by Alexander Lukashenko's highly centralized, often brutal regime and tied tightly to Moscow for money and security. But beneath the surface is a long-running and organized opposition movement and a public that has already shown its willingness to mobilize. This year, that pressure could finally break. A sudden political shift in Minsk wouldn't just change domestic politics; it would reshape Europe's security landscape and reopen long-blocked trade routes.

The window for such a shift is more plausible this year. Russia is increasingly stretched by the war in Ukraine, limiting its ability to underwrite foreign allies. The recent fall of Syria's Assad regime has amplified the perception that Moscow's influence is shrinking abroad. With less Russian backing, even a small fracture within Belarus's security forces or political elite could be enough to topple a leader who has survived largely because of Russian support.

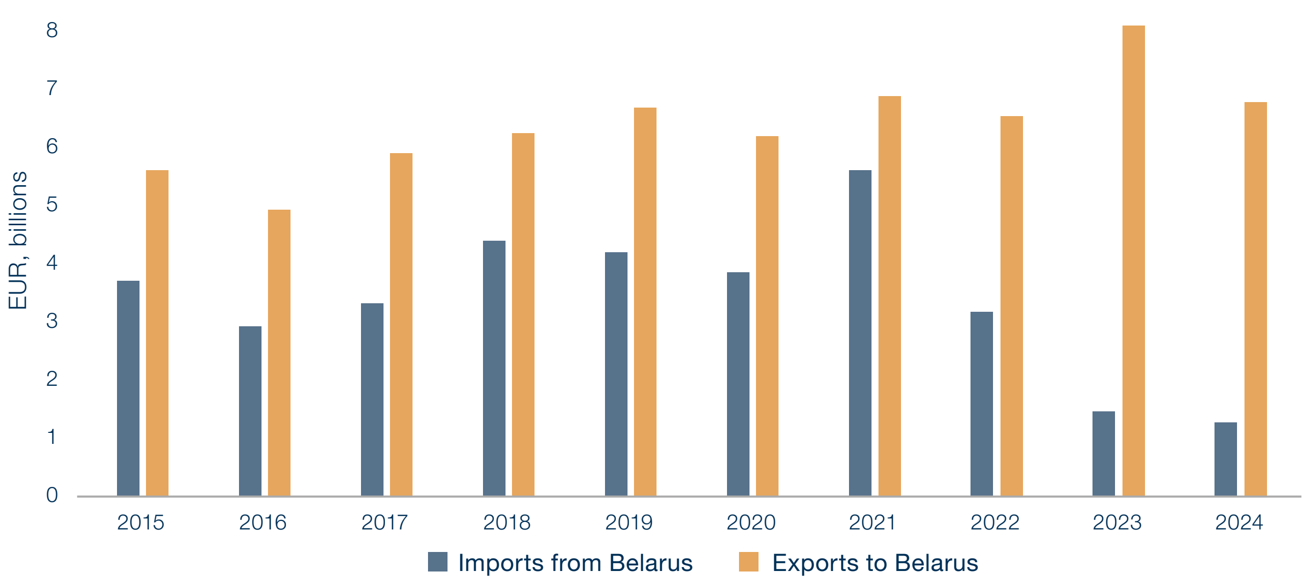
A post-Lukashenko Belarus would immediately ease pressure along NATO's eastern flank. A Belarus that was geopolitically neutral, or even friendly to Western Europe, would reduce tension around the vulnerable Suwałki Gap[1] and further isolate Russia's Kaliningrad outpost. While Minsk wouldn't rush into NATO (nor would NATO necessarily take on that liability), it would likely pivot quickly toward EU economic assistance, political reform, and some form of "armed neutrality" to avoid a direct clash with Moscow.

Economically, the change would be just as significant. The EU has imposed sweeping sanctions on Belarus since 2021, restricting exports of potash, timber, refined fuels, and manufactured goods. A new government could unlock sanctions relief and restart trade flows that once moved millions of tons of cargo through Baltic ports.

Investment implications

A shift in Belarus would bring meaningful relief to several European markets. Potash exports, one of the country's largest industries, would return to global circulation, softening fertilizer costs and easing pressure on EU agriculture, while timber and wood-product prices, elevated in recent years due to sanctions, would likely decline as supply normalizes. Renewed trade would also restore cargo volumes through Lithuania and Latvia, benefiting rail operators, port infrastructure, and storage logistics. At the same time, Russia would lose its most convenient sanctions workaround, which would raise transport and compliance costs for some of its exports and shrink the shadow-trade networks that have grown since 2022.

Sanctions have slashed EU imports from Belarus, a key Russian ally



Sources: New York Life Investment Management Global Market Strategy team, Eurostat, January 2026.

AI lights a spark in Japan's dating scene

LIKELIHOOD: HIGH | SPEED: SLOWER

Japan has been wrestling with a shrinking population for decades: its birth rate has fallen to about 1.2 children per woman (on average), far below the 2.1 understood to keep a population stable[2]. Policymakers have tried almost everything to raise the birth rate, from offering cash benefits and expanded childcare to shorter work weeks and even experimental housing incentives. But in 2026, a new tool could suddenly make these efforts more effective: a government-backed, AI-powered relationship service that becomes the default option for single adults.

This shift sits at the intersection of two trends already underway. First, Japan has been piloting AI matchmaking systems for several years. Regional governments, including Tokyo, have reported early success, with hundreds of marriages attributed to these platforms, including couples who say they never would have matched through traditional apps. Second, Japan has expanded family-focused reforms: universal daycare, childcare leave, income-verified dating apps, and expanded child allowances. Yet annual marriages have still fallen below 500,000 for the first time in roughly 90 years[3]. Marriage remains the gatekeeper to childbirth in Japanese society, so even small changes in pairing may have an outsized demographic payoff.

A nationwide rollout would not come out of nowhere: Japan declared a "national emergency" on births in 2023, and several 2024–2025 reforms already point toward a more interventionist stance. By 2026, demographic urgency and political pressure could justify a bolder step: integrating regional AI tools into a nationwide platform and tie them to existing pro-family policies. Rather than simply recommending matches, the system could operate as a full-service offering for singles in their 20s and 30s by combining relationship support with work-hour flexibility, subsidized housing, and counseling.

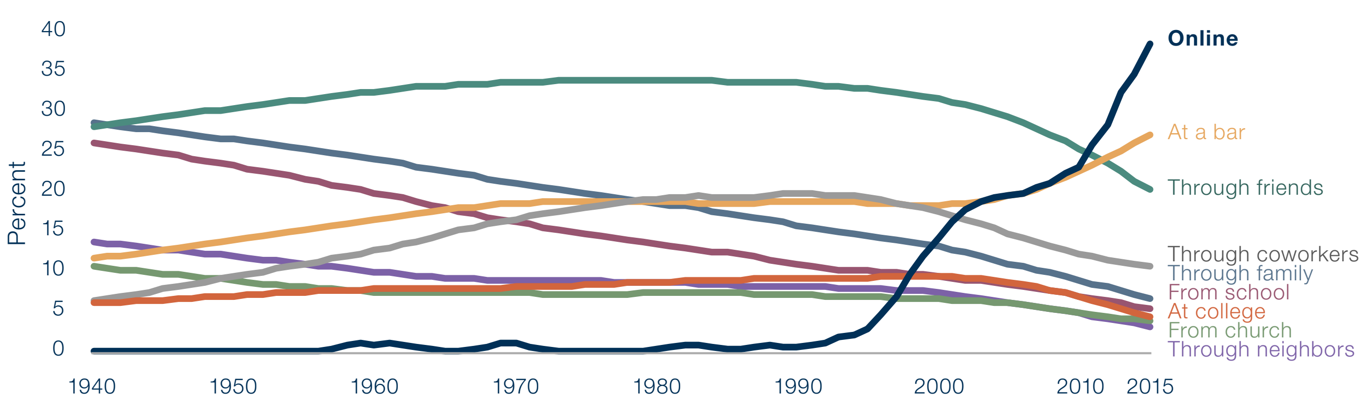
If adoption is high, the effect could show up faster than demographers expect. Stabilizing marriage rates, earlier family formation, or fewer early breakups would gradually lift long-term birth projections. This would not reverse decades of decline overnight, but it could meaningfully change expectations for Japan's future workforce, consumption base, and fiscal outlook. More broadly, slowing marriage and birth rates are a developed-market challenge—and the first country to demonstrate a scalable solution would gain a demographic and economic edge.

Investment implications

An upside demographic surprise would challenge entrenched assumptions about Japan's medium-term growth. Improved population expectations could support domestic demand, benefiting consumer, housing, and service sectors. A stronger future labor supply would bolster potential growth and ease long-run fiscal pressure, improving sentiment toward Japanese equities and credit. The yen, widely used in global portfolios and hedging strategies, could also see structural re-pricing if investors begin to price in a more stable economic trajectory.

Online platforms have become the primary way new couples meet

How couples meet



Sources: New York Life Investment Management Global Market Strategy team, National Academy of Sciences, Macrobond, January 2026. Data collected from couples across the United States.

King Dollar loses its reserve status: part II

LIKELIHOOD: MEDIUM | **SPEED: SLOWER**

In 2023, we flagged a black swan risk that some major dollar-linked currencies, such as the Saudi riyal and Hong Kong dollar, could eventually de-peg from the U.S. dollar. That hasn't happened, but this year, emerging markets may have a new way to transact outside the dollar.

Whether buying oil, shipping goods, or settling factory orders, most cross-border trade is priced and paid in U.S. dollars, even when the U.S. isn't a party to the deal. A large share of those dollar payments runs through SWIFT[4], a secure messaging network established in 1973 that banks use to send standardized payment instructions to one another. That system can be slow and expensive, but it's easy for the U.S. and its allies to monitor and has kept the dollar at the center of global finance. Because banks rely on dollar-clearing relationships to access the network, U.S. rules can effectively shape who global banks are willing to transact with. After years of U.S.-led sanctions, asset freezes, and geopolitical friction, the financial ecosystem that has allowed for dollar dominance is beginning to face real pushback. In 2026, this financial pipeline may face its first credible alternative.

mBridge is a new payments platform built by a group of emerging market central banks, including China's, and backed by the Bank for International Settlements. Instead of sending a SWIFT message and waiting days for banks to shuffle funds across multiple intermediaries, mBridge settles transactions instantly between countries' central bank digital currencies (CBDC). In practice, this means a cross border payment no longer has to rely on Western banking pipes (i.e., "touch" the U.S. dollar). Importantly, mBridge has moved from small pilots into a scale-up phase, with a live version increasingly plausible in 2026.

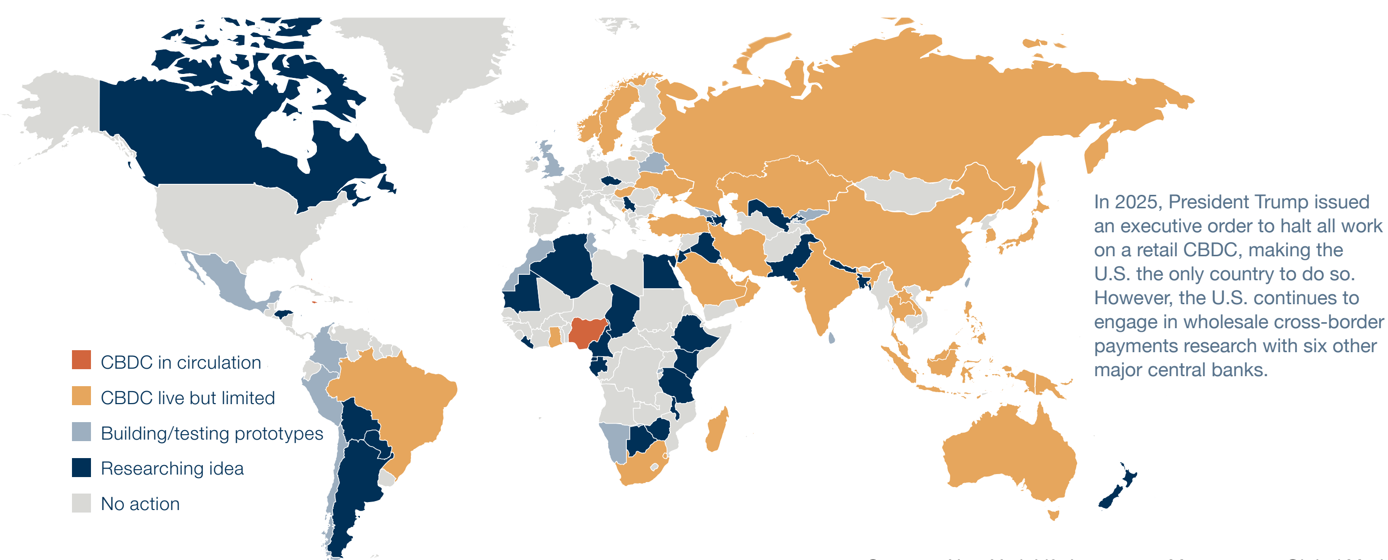
As the global financial system became more fragmented—with different regions using different payment pipelines operating under different rules—it ultimately creates far less demand for the dollar in day-to-day transactions. The U.S. would still have the deepest capital markets, Treasuries would remain a core reserve asset, and most trade would still be conducted in U.S. dollars. But banks in some parts of the world would no longer need to pre-fund large pools of dollars for cross-border payments, reducing background demand and introducing more currency volatility as flows begin to shift across competing systems.

Investment implications

A more fragmented global payments landscape would likely support gold and precious metals, which benefit whenever trust in a single financial system weakens. A marginally softer dollar could help non-U.S. equities and local-currency emerging-market assets. A weaker dollar is also supportive of U.S. multinational profitability so U.S. equities could benefit as well. FX volatility would likely rise, favoring hedging strategies. And if demand for U.S. dollars fades, demand for Treasuries is also likely to soften, at least at the margin.

CBDC adoption risks splintering the global financial system

CBDC progress by country



Sources: New York Life Investment Management Global Market Strategy team, Atlantic Council, Macrobond, January 2026.

Puerto Rico becomes America's pharma reshoring hub

LIKELIHOOD: HIGH | SPEED: FASTER

COVID-19 exposed how brittle global supply chains have become, pushing governments to elevate supply-chain resilience from an efficiency problem to a national-security priority. In the U.S., the pandemic underscored an uncomfortable reality: most pharmaceuticals consumed domestically are produced overseas. Washington now wants more drug manufacturing inside U.S. borders, and Puerto Rico offers the fastest path to get there.

The island once hosted a dense cluster of pharmaceutical and medical-device plants under a federal tax provision known as Section 936. When that rule began phasing out in 2006, facilities closed, and jobs dried up. What changes the calculus today is not nostalgia for old tax incentives, but national security. A new tax credit explicitly tied to drug production could be launched this year as a supply-chain security measure, setting the stage for a resurgence in pharmaceutical manufacturing and a meaningful economic boom for the island.

If speed is the objective, Puerto Rico has structural advantages. It sits under U.S. jurisdiction, operates within the same legal and regulatory framework as the mainland, and has a workforce with existing pharmaceutical manufacturing expertise. Just as important, the island has dormant or underused facilities that can be expanded far more quickly than greenfield sites built from scratch.

The main constraint is power reliability, but it is both familiar and fixable. "Can't-go-dark" manufacturing campuses often operate their own energy systems. At the same time, the island's grid is being reinforced with new solar and battery projects supported by federal funding.

This is an upside risk: growth for Puerto Rico, better resilience for the U.S. drug supply—which currently relies on factories in other countries for roughly 70% of the active ingredients in U.S. medicines[5]—and a new hub for med-industrial capex if policy follows through. Early signposts include a clear federal push for targeted, job-linked credits; public framing of "reshoring to Puerto Rico" as a drug security project; and, as momentum builds, a wave of FDA-compliant expansions or restarts from large drug and device makers.

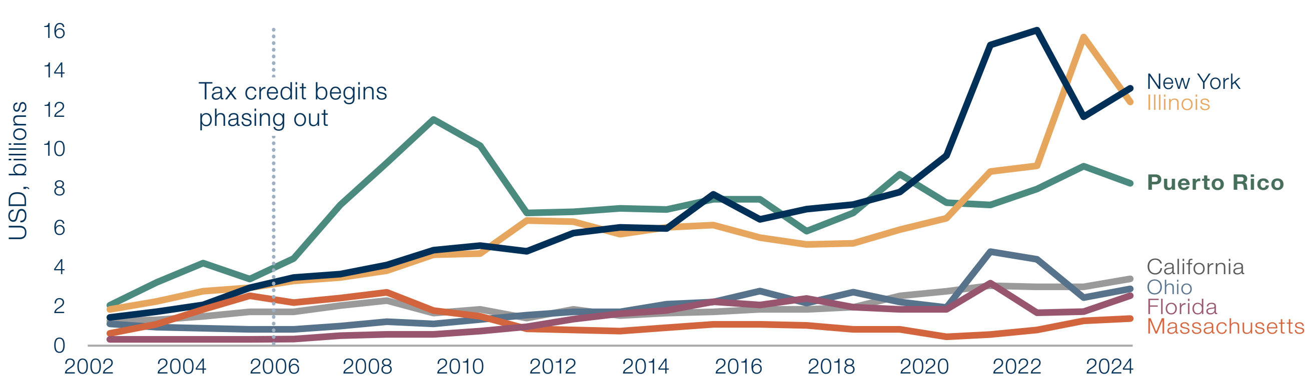
Investment implications

A policy-catalyzed shift of critical medicine production "inside U.S. borders" would harden U.S. drug supply resilience and reduce exposure to foreign shocks. For equities, we believe the near-term winners could be pharma companies that can add capacity and services to existing sites quickly.

Puerto Rico's broader economy could see incremental support if policy implementation follows through. Over time, stronger growth and employment may improve tax receipts, which could be constructive for select Puerto Rico general obligation and revenue bonds. However, legacy fiscal constraints, governance risks, and headline sensitivity around the island's debt history remain important considerations.

Puerto Rico's pharma industry sat stagnant for years after the end of tax incentives, and then sidelined

Pharmaceutical exports



Sources: New York Life Investment Management Global Market Strategy team, U.S. Census Bureau, Macrobond, January 2026.

Illinois reaches a two-state solution

LIKELIHOOD: LOW | SPEED: SLOWER

People in Illinois, one of the 50 U.S. states, have long talked about there being “two Illinoises”: Chicago and everywhere else. Most of the state is rural and leans Republican, while most of the people, jobs, and tax base are in Chicago and its suburbs (Cook County), which leans strongly Democratic. Many rural residents feel they are stuck with “Chicago’s rules” on taxes and spending, and that they would be better off if they could follow the lower-tax model of nearby Midwestern states.

This frustration has moved from grumbling to voting. Since 2020, more than 30 mostly rural counties have passed non-binding referendums asking local officials to study breaking away from Chicago and forming a new state. These votes don’t change the law, but they show a real appetite for separation. Still, the path from protest to partition is exceptionally narrow. Creating a new state would require signoff from the Illinois legislature and from Congress—and Congress is unlikely to approve a new Republican-leaning state unless it comes with a Democratic counterpart, such as D.C. statehood.

This year, the politics and timing start to line up. Indiana’s new Boundary Adjustment Commission, a regional panel set up to study how to potentially redraw the Illinois/Indiana border, is already at work, giving Midwestern lawmakers a concrete playbook for talking about changing borders. In Illinois, voters will choose a governor and a full legislature in November 2026, creating an opening for a “grand bargain” in which support for a split is exchanged for tackling pensions and the state’s stretched budget. Illinois is still meeting its pension payments, but decades of underfunding have left it with one of the heaviest pension burdens in the country and constant pressure for higher taxes. That makes a state break-up easier to sell as a “reset and reform” plan rather than just a political stunt, especially in an election year.

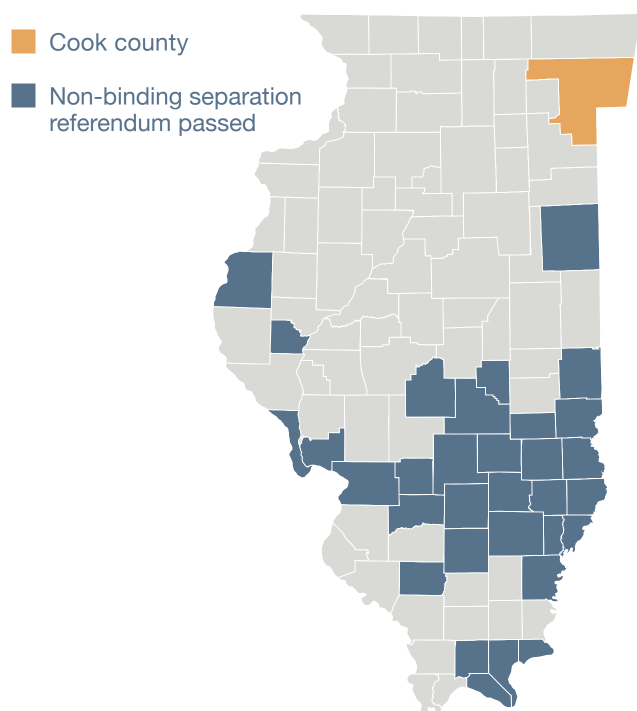
At the center of any deal is a simple question: who pays? In practice, a “Chicago state” would probably keep most of today’s debt and pension promises, because it keeps most of the tax base and services. That would leave Chicago with higher taxes and fees and rural areas with less revenue while everyone faces lawsuits, prolonged uncertainty, and economic fallout.

Investment implications

A serious push to split Illinois would first hit its own bonds, especially general obligation debt tied to the state’s full taxing power, which could face downgrades and higher yields. But the bigger story is global confidence. A U.S. state openly debating a break-up would underline just how polarized American politics have become and raise questions about whether other states might follow suit. For foreign investors, that looks less like a one-off local issue and more like a sign that U.S. governance is getting riskier. That could leave overseas buyers more cautious on U.S. state and local debt, a bit warier of the dollar, and quicker to shift money into higher-quality U.S. issuers or non-U.S. markets whenever political headlines flare up.

A break-up of a U.S. state could have global implications

County map of Illinois



Sources: New York Life Investment Management Global Market Strategy team, Illinois State Board of Elections, Macrobond, January 2026. Note: all non-binding separation referendums that have been held have passed.

Asia trades U.S. Treasuries for U.S. factories

LIKELIHOOD: MEDIUM | SPEED: MEDIUM

Many U.S. trade partners in Asia park most of their extra trade dollars in one main place: U.S. government bonds. Those Treasury holdings are a core reserve asset and a way to keep their currencies stable. This scenario imagines a twist on that pattern. Instead of buying more U.S. government bonds, countries like Japan, Korea, or Taiwan could agree to recycle hundreds of billions of dollars into building things directly in America: chip plants, battery factories, power lines, ports, and more.

The mechanism is simple. Washington offers lower tariff rates and friendlier trade rules if allies commit to large, U.S.-based investment packages. In practice, that means money that would have quietly gone into Treasuries now gets routed into U.S. industrial projects instead. In the 1970s, oil exporters started recycling "petrodollars" back into Treasuries, helping keep U.S. borrowing costs down. In this version, the surpluses are still in dollars, but they show up as concrete, steel, and payrolls rather than bond demand.

Japan, Korea, and Taiwan would have reasons to play along. Their companies get smoother access to the U.S. market, earn political credit with the U.S. for "friend-shoring" production with America instead of China, while still holding dollar assets—just more factories and fewer long-term bonds. For the U.S., it is a way to tighten supply chain ties with trusted security partners while speeding up its industrial policy goals. There have already been clear examples of trade policy shaping government decisions: at the end of 2025, India agreed to sharply increase imports of U.S. natural gas even though Gulf natural gas supplies were cheaper, mainly to ease trade tensions with Washington and win relief from U.S. tariffs.

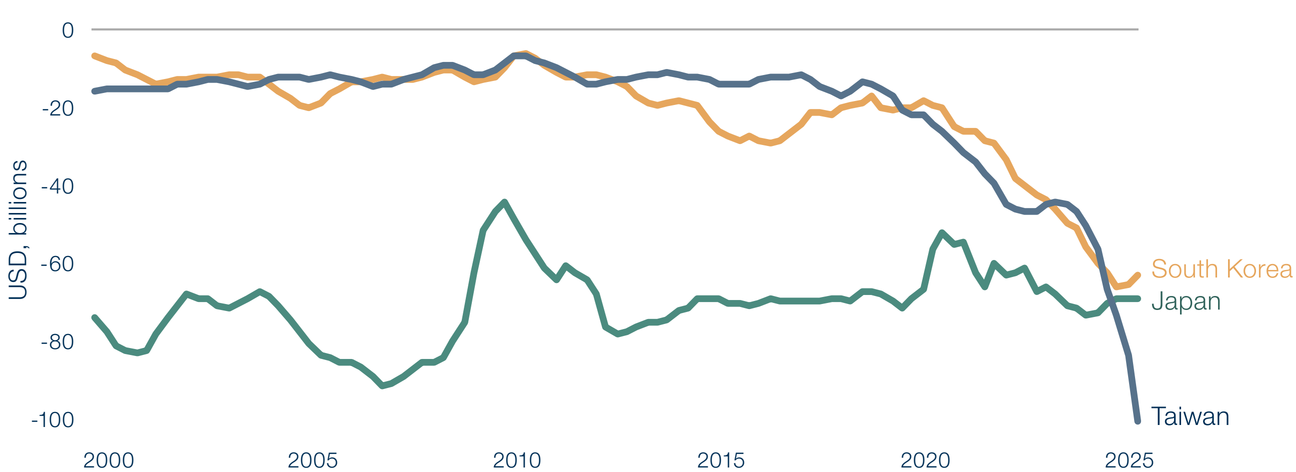
The first major investment package was announced in 2025, but the capital will not deploy immediately. Large cross-border investments take time to structure, approve, and break ground. South Korea's experience illustrates the lag: at the end of last year, Seoul expanded headroom for bond issuance to help finance a $350 billion U.S. investment pledge under its trade deal with Washington. 2026 is the first year these commitments are likely to begin appearing in the data.

Investment implications

If foreign governments buy fewer Treasuries and shift toward investing in U.S. factories instead, it becomes harder for the U.S. to keep long-term interest rates low. That would point to a steeper yield curve and more pressure on long-maturity government bonds and rate-sensitive bond funds. On the positive side, the sectors receiving this wave of money—semiconductors, batteries, grid and power equipment, and advanced manufacturing—enjoy a powerful boost in both stocks and corporate bonds.

Persistent U.S. trade deficits are often matched by foreign Treasury buying

Annual goods trade deficit with U.S.



Sources: New York Life Investment Management Global Market Strategy team, U.S. Census Bureau, Macrobond, January 2026.

Other risks and next steps

OTHER RISKS

By their very nature, black swans are unforeseen. We therefore acknowledge that there are countless risks we did not, or cannot, identify. Still, there are a few themes that bear watching and plenty of swans lurking in all areas of the lake.

Risk	Why not included
War breaks out between China and Taiwan	Given China's current strategic intentions surrounding Taiwan, this is a persistent risk—most likely in the form of a Chinese blockade of Taiwan. We covered this risk in detail in our 2023 report.
The collapse of a major technology company due to AI mismanagement	Companies remain cautious with AI oversight, keeping humans in the loop. This risk grows with AI's complexity but remains speculative.
Federal or state regulation curbs AI data center power consumption	AI data centers are straining some local power grids, yet federal policy still treats AI and semiconductors as strategic industries. That makes nationwide limits on expansion less likely. State-level regulation, project-by-project permitting battles, and higher costs to both companies and consumers are more probable.
Russia invades Estonia	In late 2025, Russian forces started appearing near Estonia's border. However, Russia's forces have been badly depleted in Ukraine, and NATO has reinforced the Baltics, making an invasion of a treaty ally unlikely this year.
South Korea launches "secret" nuclear program	Public debate over a South Korean nuclear deterrent has increased, but the country remains anchored in the U.S. alliance and the Non-Proliferation Treaty.
Argentina dollarizes	Dollarization is now a formal policy idea, but implementing it would require sweeping legal, banking, and fiscal changes. This is likely a messy, multi-year reform path rather than a single surprise event.

NEXT STEPS FOR INVESTORS

The question for investors is not whether black swans could be a force for market change, but whether that force is relevant to their portfolio decisions today.

In some cases, the answer is an unambiguous yes. Agile portfolios with appropriate risk tolerance can take advantage of shifts—temporary or structural—brought on by market shocks. For these portfolios, monitoring dislocations can be an achievable and meaningful driver of excess investment return. Focused analysis can reduce the impact and severity of adverse events and enhance the potential for upside growth.

For other investors, day-to-day conversations about geopolitical risk are little more than a drain on time and resources, with no realizable benefit to their investment process or return generation. For this reason, we encourage investors to focus on action—not distraction—when it comes to black swans.

A more comprehensive view of geopolitical regime change, and the tactical and strategic steps investors can take, is available in our piece, *Geopolitical Risk in a Shifting World Order.*

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Our team of market strategists connects macroeconomics to asset allocation. Leveraging proprietary research alongside the breadth and depth of the New York Life Investment Management platform, we provide actionable insight into market-driving events, structural themes, and portfolio construction to empower investment decision-making.

To hear more from the team, including timely insights and research-driven thought leadership, visit: **nylim.com/global-markets**

1. The Suwałki Gap (or corridor) is the shortest path between Belarus and the Russian exclave of Kaliningrad Oblast.

2. Nippon.com. *Japan's Fertility Rate Drops to New Record Low*. July 2024. https://www.nippon.com/en/japan-data/h02015

3. The Guardian. *Japan asks young people why they are not marrying amid population crisis*. July 2024. https://www.theguardian.com/world/article/2024/jul/19/japan-asks-young-people-views-marriage-population-crisis

4. Society for Worldwide Interbank Financial Telecommunication (SWIFT)

5. Quality Matters. *Geographic concentration of pharmaceutical manufacturing: USP Medicine Supply Map analysis*. May 2022. https://qualitymatters.usp.org/geographic-concentration-pharmaceutical-manufacturing

GENERAL DISCLOSURES

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