

MARKET COMMENTARY

January 2026

SNAPSHOT

- Global stocks made new highs but closed lower following late profit taking.
- Gold and silver both reached new record highs.
- Global bond yields rose, with credit outperforming.

All percentages below are monthly returns for December 2025

EQUITIES



BOND MARKETS

BONDS

Longer yields rose following stimulus

	UK GILTS	0.2%
	US TREASURIES	-0.3%
	GLOBAL CORPORATE BONDS	-1.3%
	GLOBAL HIGH YIELD BONDS	-0.7%



CURRENCIES

Pound gained against major currencies



Pound vs Other Currencies

	1.6%
	2.1%
	0.4%
	0.4%

GBP vs USD

GBP vs JPY

GBP vs EUR

GBP vs CNY

*Values represent bond index returns

KEY INDICATORS



GOLD - XAU/USD

2.4%



OIL - BRENT CRUDE

-3.7%



COMMODITIES

-1.8%



INFLATION - UK CPI (YOY)

3.2%



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GLOBAL MARKETS

The traditional Santa Claus rally helped stocks to new highs before profit-taking set in to US markets. European and EM stocks, however, closed near their best levels.



US MARKETS

Profit taking at year end

After a strong year, it was not surprising to see some late-year-end profit taking, particularly in tech, as value modestly outperformed. Financials were boosted by the latest Fed rate cut. Q3 GDP growth came in higher than expected, at 4.3%, while the Unemployment rate climbed to 4.6%, its highest level since 2021, creating a mixed picture on the economic backdrop as investors became increasingly focused on the 2026 policy path and the implications for a leadership change at the Fed.

-0.1%



US 500



UK MARKETS

Boosted by rate cut

The UK market was boosted as the Bank of England cut interest rates from 4.0% to 3.75%, in a narrow 5-4 vote. This move was supported by annual inflation slowing to a lower-than-forecast 3.2%, providing relief for households despite stagnant GDP growth. The FTSE 100 benefited from a strong rebound in mining and banking shares, even as the broader economy contracted slightly in October. Wage growth eased but remained strong at 4.7%, complicating the 2026 outlook while investors are closely monitoring the evolving fiscal sustainability picture following the recent autumn budget.

2.1%



UK All Share



EUROPEAN MARKETS

Hit all-time highs

European equities reached all-time highs, capping their strongest year since 2021, with banks and miners leading the charge. The STOXX 600 notched fresh record highs as the ECB held rates steady and upgraded growth projections from 0.9% to 1.3% for 2025. The EC noted that economic activity exceeded expectations in the first nine months of the year, supported by a surge in exports to the US as companies stocked up ahead of Trump's tariffs, and stronger-than-expected investment in equipment and intangibles. Growth is expected to slow modestly in 2026, to 1.2%, before hitting 1.4% in 2027.

2.8%



Euro 600 Index ex UK



JAPAN MARKETS

Continued ahead

Japan's markets grappled with the out-of-kilter Bank of Japan, whose Policy Committee unanimously raised its key rate by 0.25% to 0.75%, the highest since 1995. This pushed 10-year government bond yields over 2%, their highest level in two decades. With inflation easing slightly to 2.9% from 3%, policy remains accommodative. Despite the rate hikes, the Nikkei 225 advanced nearly 28% for the year, supported by robust exports and resilient large manufacturer sentiment boosted by the yen's easing. However, the economy faced headwinds from a revised -0.6% Q3 GDP contraction as domestic demand weighed, creating a challenge for the central bank in 2026.

0.9%

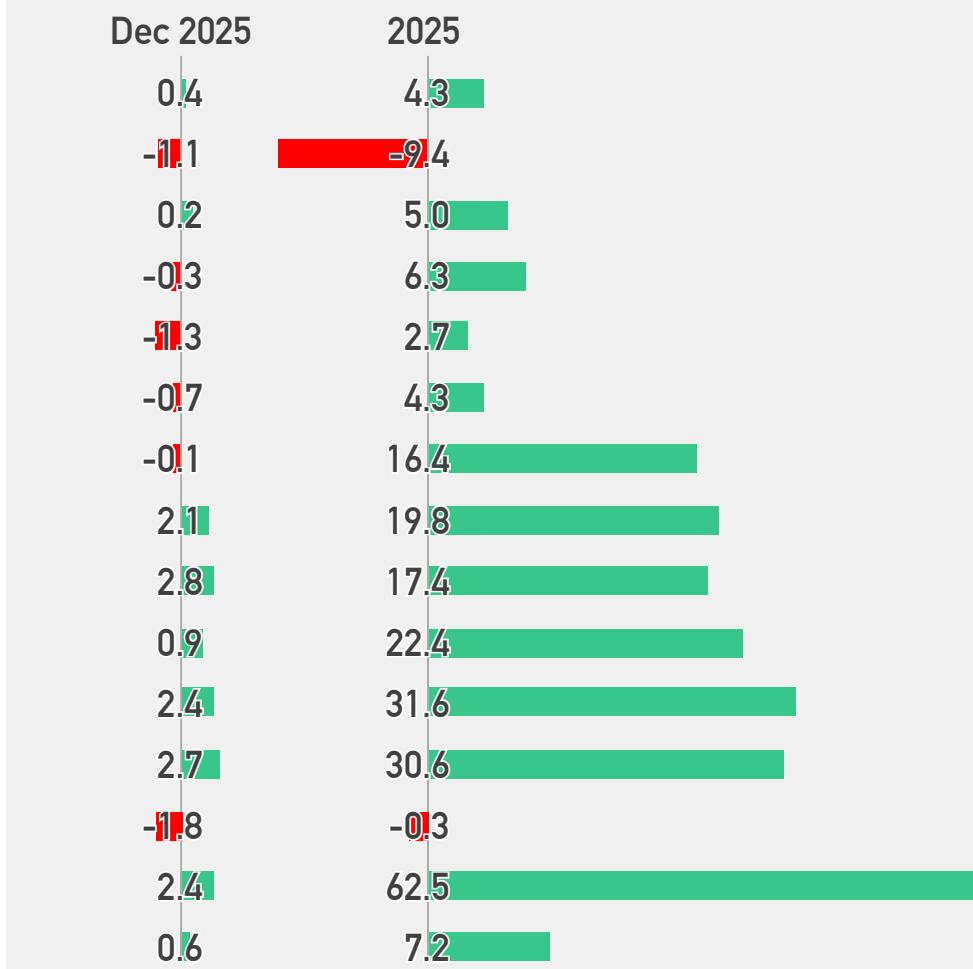


Japan Index

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THE WORLD AT A GLANCE

	2020	2021	2022	2023	2024
UK CASH	0.2	0.0	1.4	4.7	5.2
US DOLLAR INDEX	-6.7	6.4	8.2	-2.1	7.1
UK GILTS	8.3	-5.2	-23.8	3.7	-3.3
US TREASURIES	8.0	-2.3	-12.5	4.1	0.6
GLOBAL CORPORATE BONDS	7.1	-1.9	-6.8	4.0	2.8
GLOBAL HIGH YIELD BONDS	3.8	2.0	-2.3	8.2	11.0
US 500	16.3	26.9	-19.4	24.2	23.3
UK ALL SHARE INDEX	-12.5	14.5	-3.2	3.8	5.6
EURO 600 INDEX EX UK	1.0	22.5	-15.0	14.9	4.5
JAPAN INDEX	4.8	10.4	-5.1	25.1	17.7
ASIA EX JAPAN	22.4	-3.1	-15.4	6.4	16.2
EMERGING MARKETS	15.8	-4.6	-22.4	7.0	5.1
COMMODITIES	-26.1	41.6	41.9	-9.7	11.2
GOLD	20.9	-4.3	-0.7	12.8	26.6
HEDGE FUNDS	6.8	3.7	-4.4	3.1	5.3

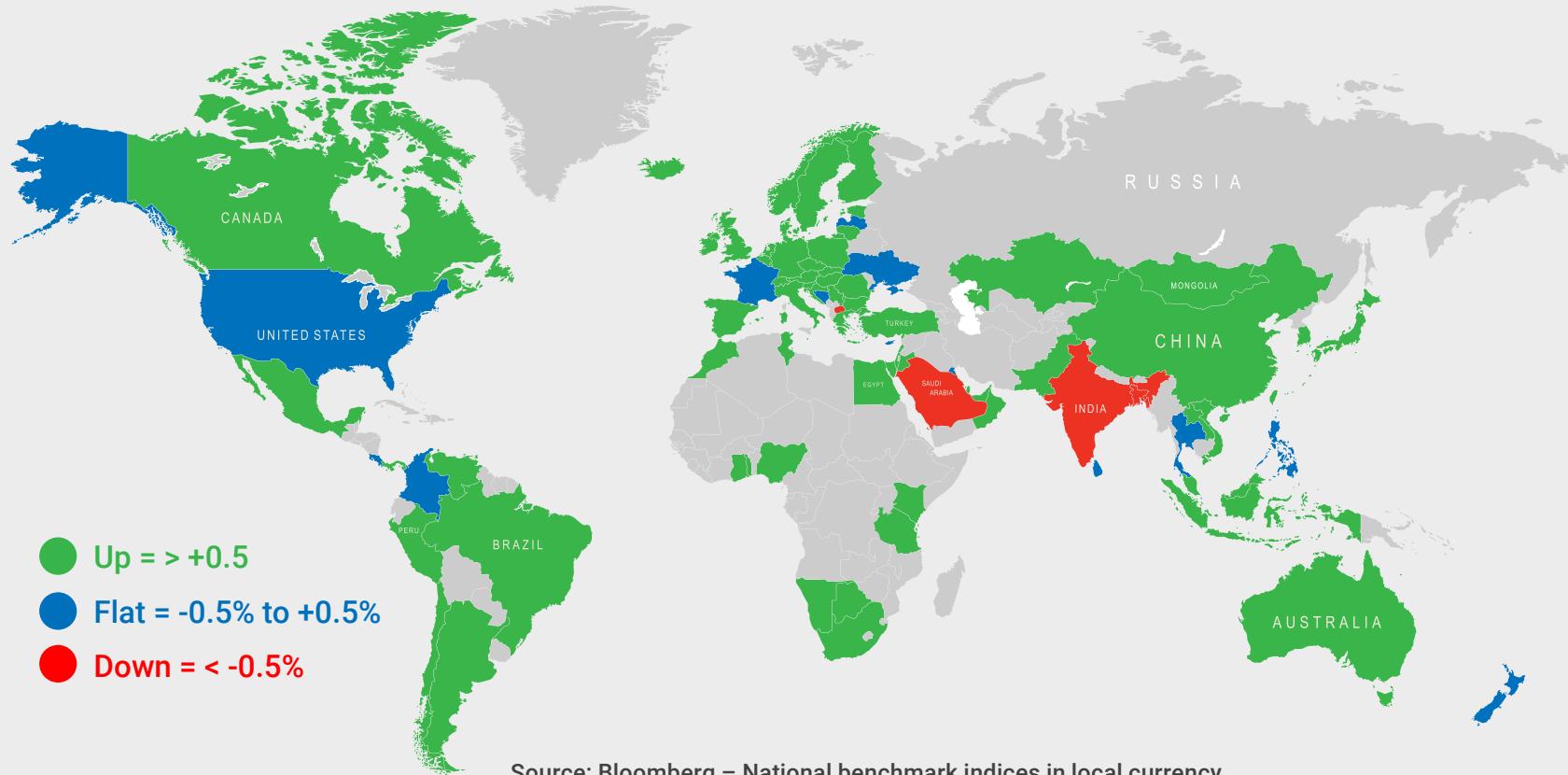


Source: Bloomberg

Total Return – Local Currency

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WORLD EQUITY MARKETS

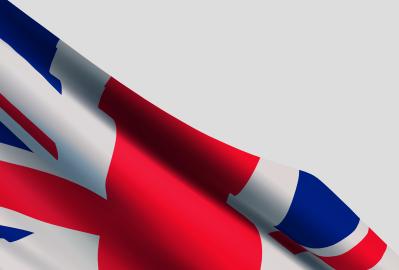


Key Points

- The S&P 500 and Dow reached fresh record highs, supported by the Fed's 0.25% rate cut. Official economic data for Q4 remains patchy following the government shutdown, while ISM data continues to suggest strength in services and softness in manufacturing.
- The UK's FTSE 100 posted its strongest year since 2009, fuelled by gains in precious metals miners such as Fresnillo, whilst financials felt the tailwind of rate cuts.
- European banking stocks surged 67% over the year, underpinning a record high for the STOXX 600, as economic growth was revised higher for the third quarter, and rate cuts in the US and UK supported investor sentiment.
- The gold price edged past \$4,500 per ounce late in the month, while silver briefly spiked past \$85.50, closing the year just below \$72 having ended 2024 at \$28.90, both benefiting from dollar diversification trades.

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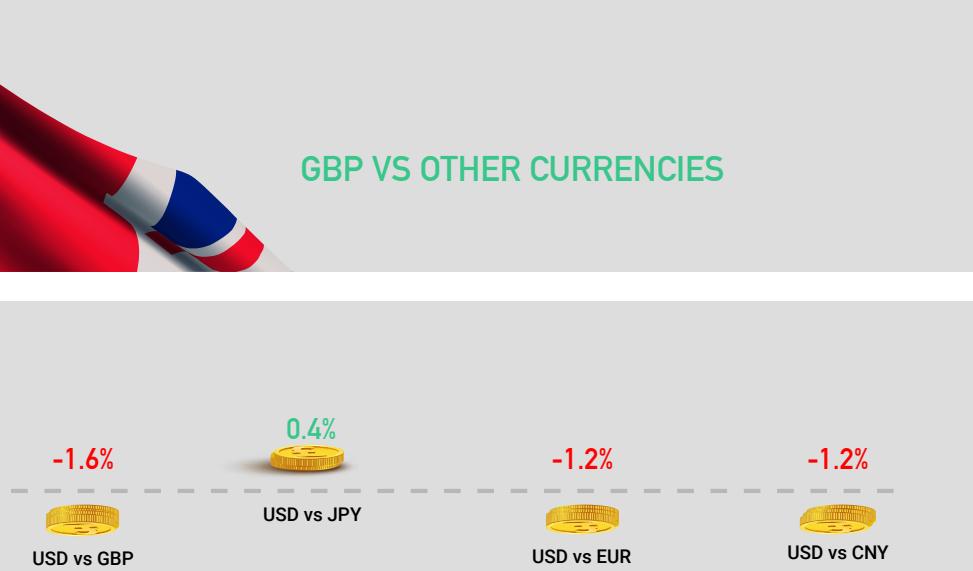
CURRENCIES



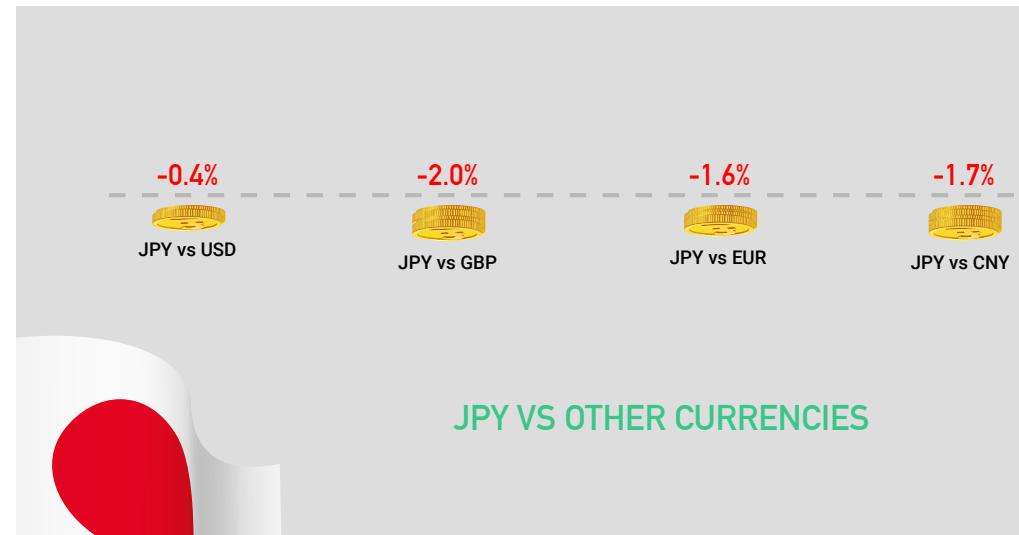
GBP VS OTHER CURRENCIES



EUR VS OTHER CURRENCIES



USD VS OTHER CURRENCIES



JPY VS OTHER CURRENCIES

Key Points

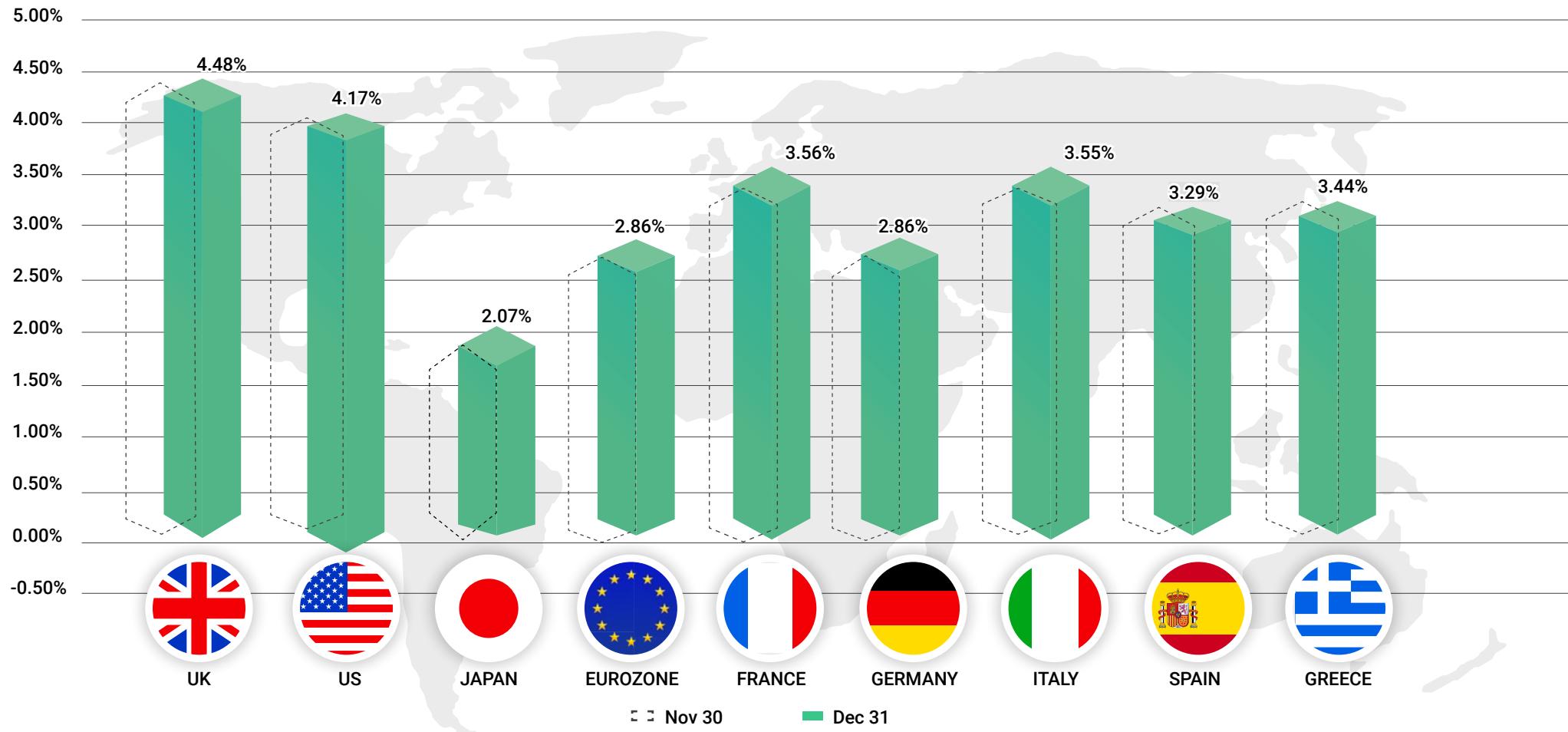
- The US dollar index hovered near two-month lows as cooling labour market data and expectations of further rate cuts under the new Fed leadership, expected in May, weighed on the greenback.
- Sterling strengthened past \$1.35 to hit a three-month high, benefiting from dollar weakness and also gaining against other major currencies.

- The Japanese yen weakened beyond Y156/U\$ following the Bank of Japan's rate hike to 0.75%, remaining near historically low levels, despite the declining interest rate differential to major peers.
- The offshore yuan strengthened toward a fifteen-month high after China's composite PMI rose to a six-month peak, signalling improving business confidence heading into 2026.

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GENERIC 10-YEAR YIELDS*

*A Generic bond is a theoretical bond that always has the specified tenor, unlike a Benchmark bond, which is a physical bond, with a decreasing tenor.



Key Points

- The US 10-year Treasury yield rose as a more stimulative Fed boosted growth and longer-term inflation risk, despite the latest CPI data showing inflation easing to 2.7% in November, from 3%.
- German 10-year Bund yields reached their highest level since September 2023, when the inflation rate was notably higher, as economic optimism and inflation risks picked up.

- The UK 10-year Gilt yield was range-bound, moving up briefly as rate cuts eased pressure on the economy. UK public finances remained under pressure.
- Japanese bond yields continued their remorseless rise, with 10yr yields hitting their highest level since 1997 despite some easing in inflation, while the ongoing weakness of the yen raises the risk of a contagious market reversal.

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GLOSSARY OF TERMS

BoE	Bank of England – central bank of the United Kingdom
BoJ	Bank of Japan – central bank of Japan
Correlation	The degree to which the returns of financial assets or instruments move in relation to each other
CNY	Chinese renminbi (yuan) – currency of the People's Republic of China
CPI	Consumer Price Index – a measure of inflation in which a basket of goods and services is calculated over different time periods
Dovish	The approach in which central banks are likely to keep monetary policy "loose" or accommodative
ECB	European Central Bank – the central bank of the European Union countries which have adopted the euro
EUR	Euro, the official currency of the European Union for the 20 of 27 member states that have adopted this currency
The 'Fed'	or the US Federal Reserve System – the central banking system of the United States of America, which includes the Federal Reserve Board and the twelve regional Federal Reserve Banks
GBP	British Pound – sometimes referred to as 'sterling'
GDP	Gross Domestic Product – a monetary measure of the market value of all goods and services produced in a specific time period by a country or countries

Growth Stocks	Stocks which display specific characteristics – high price-to-earnings (P/E), high price-to-book (P/B), low to no dividend yield – which typically demonstrate revenue growth and tend to reinvest earnings rather than distribute them as dividends
Hawkish	The approach in which central banks are likely to keep monetary policy "tight" or restrictive
JPY	Japanese Yen – currency of Japan
Macro	or Macroeconomics – a branch of economics that deals with the performance, structure, behavior, and decision-making of an economy as a whole
PMI	Purchasing Managers' Index – an economic indicator used to measure the activity of the manufacturing/service sectors of the economy
USD	US Dollar – currency of the United States of America
Value Stocks	Stocks which may trade at lower prices relative to their intrinsic value, as defined by traditional fundamental analysis, and typically include evaluation metrics such as lower price-to-earnings (P/E) and price-to-book (P/B) ratios, and higher dividend yields, compared to Growth stocks.
Yield Curve	a graph (line) which depicts how the yields on debt instruments – such as bonds – vary as a function of their years remaining to maturity
YoY	Year over year

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