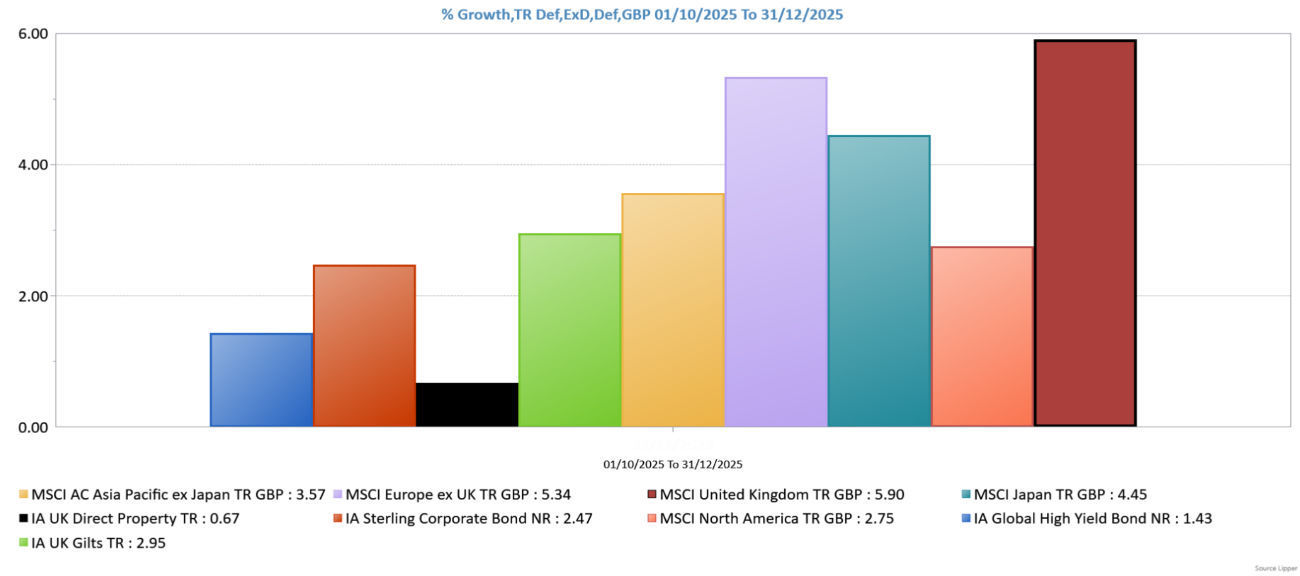
Market Commentary January 2026



Source: Lipper

OVERVIEW

Investment Markets Q4 2025

Investment markets performed well in the final quarter of 2025 as global trade improved from the shock of “Liberation Day” in April. Corporate earnings continued to grow and in spite of some worries that the major tech companies were overvalued there were still buyers of these companies as their earnings held up. There was the longest US Government shutdown in history which resulted in job cuts and a negative sentiment in US consumers. The geopolitical outlook remained uncertain as the war in Ukraine remained unresolved and relations between China and the US remained frosty. The Trump Presidency has, and will continue, to generate both political and economic uncertainty.

Equities

In spite of the generally negative headlines stock markets rose in the last quarter of the year with the FTSE 100 breaking through the 10,000 mark, UK equities were generally subdued up to the Budget which was finally delivered in late November and it turned out that Government debt was not as bad as had been forecast and while taxes were raised yet again, they were not as bad as they might have been. In the last quarter there was an upsurge of new listing on the London Stock market with 11 new IPO’s that raised £1.9bn according to EY-Partheon.

US stocks continued to rise but more slowly than earlier in the year and equity markets in Asia, Japan and Europe all outperformed US equities over the quarter. As trade tariffs settled down global trade was able to improve as corporations adapted to the new order and investors continued to invest in riskier assets.

Fixed Interest

Bond markets had a strong finish to the year with interest rate cuts in the US and UK that were somewhat overdue. As the rate of inflation slowed down fixed interest investors were more inclined to buy into longer dated bonds which helped drive yields down and bond prices up.

OUTLOOK

Global growth should continue as US policy rates should come down and fiscal spending is set to increase in Japan, Europe and China. This should prove a tailwind for equity markets and our approach will be to maintain a balanced weighting in equity markets. With lower interest rates in the US, we would expect to see a weaker US Dollar and this further supports our approach of investing in non-US markets.

There will be a constant worry as to how and where President Trump will exert US power which will undoubtedly lead to investment market volatility but the economic fundamentals are in place for a further year of positive returns from both bonds and equities.

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