

January 2026

Economic and market overview

- **Global:** Trade tensions resurfaced mid-January, after US President Trump threatened tariffs on countries that did not support his ambitions to acquire Greenland. This followed heightened geopolitical tensions after the US' actions in Venezuela and growing unrest in Iran.
- Long-end bonds sold off globally after the Japanese Prime Minister called for a snap election and expectations for increased European fiscal spending rose amid Trump's attempt to take over Greenland.
- At Davos, Trump ruled out acquiring Greenland by force or by leveraging tariffs. This prompted a relief rally across risk assets. Trump later advised that a framework agreement was reached regarding Greenland.
- Gold and silver extended December's rally, gaining +13.3% and +18.9% during January respectively despite paring gains into month-end. Both precious metals rallied on increased safe haven demand during the month, resetting their record highs. Oil prices also saw gains on increased geopolitical tensions, with WTI and Brent gaining +13.6% and +16.2% respectively.
- Despite increased volatility, equity markets traded higher on the month, with Materials and Energy stocks bolstering global indices. US and European earnings also commenced, with mega cap tech stocks largely reporting positive earnings and outlooks. The MSCI World Index gained +2.2%.
- **US:** Interest rates were kept on hold at the FOMC meeting, with Powell continuing to describe policy rates as at the top of the range of neutral. At the end of January, the market was pricing in two 25bp interest rate cuts from the Fed in 2026.
- Trump announced his intention to nominate former Fed Governor Kevin Warsh to replace Powell as Fed Chair at month end. The market saw a slight steepening of the yield curve and strengthening of the USD in response.
- Despite a recovery into month-end, the DXY fell -1.4% during January.
- US equities advanced during January, as quarterly earnings season commenced and the Mag7 began to report. S&P500 +1.4%, NASDAQ +1.0%, DOW +1.7%.
- Core CPI in December grew by +0.24% MoM, softer than the expected +0.3% MoM. Core goods prices were flat on the month.
- Retail sales increased by +0.6% MoM in November, slightly above consensus expectations for +0.5% MoM.
- Non-farm payroll employment rose by +50k jobs in December, softer than market expectations for +70k. The unemployment rate fell to 4.4% in December, from 4.6% reported in November.
- December PPI Final Demand rose +0.5% MoM, stronger than market expectations for +0.2% MoM. Core PPI rose +0.4% MoM, remaining at +3.5% YoY.
- Conference Board Consumer Confidence declined in January to 84.5, from an upwardly revised 94.2 in December. This was weaker than consensus expectations for 91.0.
- The US trade deficit nearly doubled in November, to US\$56.8bn from US\$29.2bn in October. This was driven by a +5% increase in imports and a -3.6% decline in exports.
- **Australia:** After the bond market pivoted rate expectations in December to begin pricing in the chance of hikes in 2026, January saw the market fully price in two 25bp rate hikes from the RBA during the year.
- The Aussie Dollar strengthened +4.4% against the USD, surpassing 0.70 USD for the first time in nearly three years towards the end of the month on diverging rate expectations. The currency closed January slightly lower, at 0.6964 USD.
- The household spending indicator rose +1.0% MoM in November, partially due to strong Black Friday sales. This was above consensus expectations for +0.6% MoM.
- The unemployment rate fell by 0.2ppt in December, to 4.1%, below consensus 4.4%. Employment rose by +65.2k in December, more than double market expectations for +27k. Labour force participation increased by +0.1% to 66.7%, while the November participation rate was revised down by -0.1% to 66.6%.
- Q4 trimmed mean CPI printed at +0.9%, in line with consensus expectations, representing a +3.4% increase in trimmed mean CPI. The growth was driven by rising housing costs and elevated services inflation.
- The ASX200 gained +1.8% during January, led by the Energy and Materials sectors, which gained +10.6% and +9.5% respectively on stronger commodity prices. Tech stocks weighed on the index, down -9.4% on the month.
- **New Zealand:** Q4 CPI rose +0.6%, above expectations for +0.5%, with yearly inflation accelerating +3.1%. Seasonal increases in passenger transport and audio-visual equipment drove the above consensus print.
- **Europe:** The STOXX600 gained +3.2% during January, with Basic Resources leading the index, up +12.7% on the month amid a broad-based rally in metals prices. The FTSE100 gained +2.9%.
- The Euro strengthened +0.9% against the USD during January, reaching a high of 1.2044 USD on 27 January, before paring gains into month-end to close at 1.1851 USD. Euro Area GDP grew by +0.3% QoQ in Q4 2025, above consensus expectations of +0.2% QoQ. Ireland was the only European country to register a GDP contraction, down -0.6% QoQ.
- Eurozone headline HICP inflation eased to +2.0% YoY in December, however core inflation fell to +2.3% (below consensus +2.4%).
- The December unemployment rate fell to 6.2%, slightly lower than expectations for it to be held steady at 6.3%.
- **China:** At the end of January, China removed its "three red lines" policy, which imposed borrowing limits on property developers.
- The PBoC resumed its modest monetary easing, announcing a 25bp interest rate cut to several structural tools, among other policy changes. The PBoC also gave its forward guidance, pledging room for rate and RRR cuts in 2026 as NIM stabilises.
- A week later, the PBoC left the LPRs unchanged for the eighth consecutive month, with the 1yr tenor at 3.0% and the 5yr tenor at 3.5%.
- Both manufacturing and non-manufacturing PMIs unexpectedly fell into contraction during January, missing market expectations. The manufacturing PMI fell -0.8 to 49.3, below consensus expectations for 50.1. The non-manufacturing PMI fell -0.8 to 49.4, below expectations of 50.3.
- Chinese exports ended 2025 strongly, up +6.6% YoY in December above market expectations for +3.1% YoY.

Australian dollar

- After gaining almost +2% against the USD in December, the AUD ended January at 0.6964, gaining another +4.40% over the month.
- AUDUSD traded a 431-pip range, opening around the month's low of 0.6663, and touching a high of 0.7094 on 29 January after trading mostly sideways for the first half of the month.
- The AUD appreciated mechanically in the back half of January, as the USD reached 4yr lows due to uncertainty driven by reignited trade tensions and fiscal stability concerns.
- Locally, January saw sticky, above-target quarterly inflation and a resilient labour market which firmed up the likelihood of a 25bp hike from the RBA in February. The continued divergence in rate expectations between the US and Australia further supported the AUD.
- The USD pared losses at month-end following the announcement that Trump intended to nominate Kevin Warsh to replace Powell as Fed Governor. The AUD closed down at 0.6964.

Australian equities

- The ASX200 advanced +1.8% during January, boosted by gains in Materials and Energy stocks, which increased +9.5% and +10.6% respectively.
- Gold miners tracked a +13.3% gain in gold prices during the month, with spot gold surpassing US\$5500/oz for the first time. EVN +16.0%, NEM +15.4%, NST +8.3%.
- Oil and gas heavyweights Santos and Woodside gained +13.6% and +7.6% respectively during the month, as oil prices advanced over 10% due to heightened geopolitical tensions.
- Tech stocks underperformed the index, with the sector down 9.4% due to a mix of increased rate expectations and tracking declines from offshore peers. Sector heavyweight WTC declined -15.3%.
- Elsewhere in the sector, Life360 fell -18.2% despite advising that FY25 revenue and Adjusted EBITDA was expected to exceed prior guidance. It further expects 20% MAU growth in 2026.
- The REITS sector fell -2.7% as the market began to price in a higher likelihood of a 25bp interest rate hike from the RBA in February. Almost all stocks in the sector saw losses during the month, with residential REITS Stockland and Mirvac declining 5.9% and -2.4% respectively.
- The major banks diverged during the month, with CBA down 7.0% while the other three major banks saw gains. ANZ, NAB and WBC advanced +1.0%, 2.5% and +0.6% respectively. Banks were supported by increased rate expectations for 2026. The regional banks saw stronger gains than their Big4 peers. JDO +5.2%, BEN +4.3%, BOQ +4.0%.
- LNW and ALL released a joint statement, announcing that they had settled the pending litigation in the US and Australia. LNW agreed to compensate ALL US\$127.5m as part of the settlement. LNW gained +6.0% during January, while ALL closed down -7.9%.
- Elsewhere in the Consumer Discretionary sector, SUL declined -8.3% on the month. SUL released a trading update mid-month in which it advised that while group sales were expected to be in line for 1H26, underlying PBT was expected to be ~7% below consensus at the midpoint. This was partially driven by increased promotional activity in its Rebel business.

Global equities

- Global equities broadly advanced during January, with the MSCI World Index gaining +2.2%. US equities traded higher, with the S&P500 advancing +1.4%, while the NASDAQ and DOW increased +1.0% and +1.7% each.
- Quarterly earnings season commenced, with half of the Mag7 stocks reporting during January. Apple and Meta each reported a beat and raise, while Microsoft reported a mixed quarter with strong revenue, however Azure growth slowed due to intentional capacity constraints. Q3 guidance was also mixed, with memory price and supply issues impacting MPC guidance.
- Tesla reported both sales and earnings above expectations for Q4, however expects to more than double capital expenditure in

2026.

- Mag7 share price performance diverged during the month, with NVDA +2.5%, AMZN +3.7%, META +8.6% and GOOGL +8.0% seeing gains. Meanwhile, AAPL -4.6%, MSFT -11.0% and TSLA -4.3% all saw declines.
- European equities saw some of the largest percentage gains, with the STOXX600 and FTSE100 up +3.2% and +2.9% respectively.
- Basic Resources and Energy stocks saw the largest percentage gains, up +12.7% and +9.1% respectively off the back of higher commodity prices amid ongoing geopolitical uncertainty.
- The MSCI Asia Pacific Index gained +7.5%, driven by gains in Korea (+24.0%) and Taiwan (+10.7%).

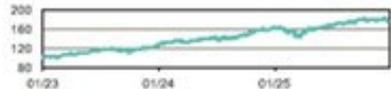
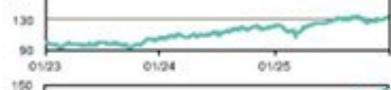
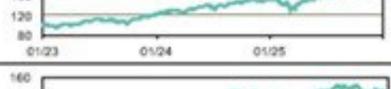
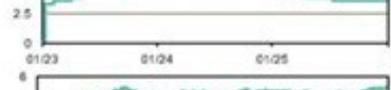
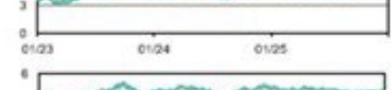
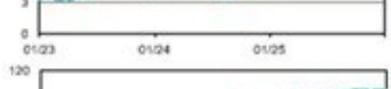
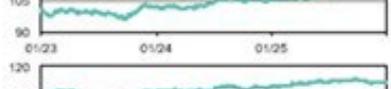
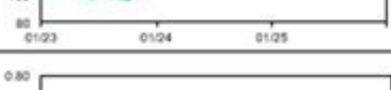
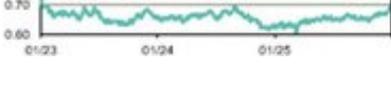
Property securities

- Global property securities had a strong start to 2026 up +4.1% in January, especially after a weaker December month, on a more benign interest rate environment around the world.
- The Americas region, however, again underperformed the Global average, up +3.4% in January. Despite the relative underperformance, the strong absolute performance may reflect buying of the sector given under-performance last year and lower interest rate outlook.
- Europe/UK returns were strong in January (+5.0%), extending strong performance from last year, potentially on safe haven buying amid volatile macro conditions.
- The Asia Pacific region returns also outperformed global averages with +5% returns in January. The key drivers were stronger returns in HK/China, followed by a strong performance in Singapore, while Japan returns were more muted. APAC region had outperformed global averages in CY25 with ~23% returns.
- Locally, AREITs were down -2.7% in January, given higher CPI and rate hike fears. Residential REITs saw some of the largest percentage declines in the sector.

Fixed income and credit

- Global long-end bond yields spiked following a combination of increased fiscal spending expectations from Europe and Japan and fears of reduced demand for US Treasury's. This moderated into month-end after Japan's MOF committed to reducing long-end JGB issuance instead looking to issue more into the 5y to 10y part of the curve, while Trump advised that he would not leverage tariffs or use force to take over Greenland.
- 30yr JGB yields declined into month end, closing +23.8bps higher at 3.627%.
- US 10yr Treasury yields closed +6.8bps higher at 4.237%. US 2yr Treasury yields closed +4.9bps higher at 3.524%, despite surpassing 3.6% during the month.
- Locally, January saw the bond market fully price two 25bp rate hikes from the RBA in 2026, with the market pricing a ~70% chance of an interest rate hike at the RBA meeting in February.
- AU 10yr government bond yields finished January +6.5bps higher at 4.806%. 2yr government bond yields closed +14.9bps higher at 4.205%.
- US investment grade credit spreads tightened -0.61bps during the month, while US high yield credit spreads tightened 20.3bps.

MARKET WATCH DATA SHEET

		1 Month Return / Change	3 Month Return / Change	1 Year Return / Change	3 Year p. a. Return / Change	3 Year chart
Equities	<i>Points</i>					
MSCI World (AUD)	7,238	-2.66%	-3.34%	6.92%	20.09%	
MSCI Emerging Markets (AUD)	1,575	3.62%	2.31%	27.92%	17.55%	
ASX 200	8,869	1.78%	-0.14%	3.95%	5.86%	
ASX Small Ordinaries	3,870	2.74%	2.65%	22.76%	12.08%	
S&P 500 (USD)	6,939	1.45%	1.76%	16.35%	21.11%	
REITs	<i>Points</i>					
ASX 200 A-REIT	1,771	-2.66%	-4.58%	1.61%	11.08%	
FTSE EPRA/NAREIT Developed (AUD)	3,060	2.81%	3.43%	8.76%	4.30%	
Cash & Fixed Income						
Official Cash Rate Australia	3.60%	0.00%	0.00%	-0.75%	-	
10-year Yield Australia	4.81%	0.07%	0.51%	0.38%	-	
10-year Yield US	4.24%	0.07%	0.16%	-0.30%	-	
Bloomberg Global Aggregate Index, AUD Hedged	-	0.23%	0.17%	4.26%	3.34%	
Bloomberg AusBond Composite 0+ Year Index	-	0.21%	-1.23%	3.20%	2.85%	
Foreign Exchange	<i>US\$</i>					
AUD/USD	0.6964	4.36%	6.40%	12.00%	-0.43%	

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