Article MARKET COMMENTARY

Weekly round-up: 3rd – 9th January

Eric Louw recaps the past week's events and looks ahead to the next.

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The week that was: 3-9 January

Welcome back to our first update of 2026. The new year has ushered in a cautiously upbeat tone across global markets, despite some unexpected political developments offshore.

In the UK, growth remains modest, with forecasts pointing to around 1 to 1.5% GDP expansion this year. Unemployment has edged slightly higher, a sign that businesses are being careful with their hiring. Encouragingly, inflation is easing, the drop in energy and service costs means we're drifting toward the Bank of England's 2% target. That translates to everyday goods becoming less of a burden for families.

Reflecting this slowdown, the Bank of England cut interest rates in December from 4.0% to 3.75%, its sixth drop since mid 2024. The message? Borrowing costs are gently unwinding, and more cuts may be on the way if prices continue to trend downwards. For mortgage holders or businesses looking to invest, that's welcome news.

The FTSE 100 has kicked off the year on a high, climbing past the 10,000 point mark for the first time, building on a +20% gain in 2025. Investors have gravitated toward steady earners like oil, mining, banks, and defence, all areas known for solid dividends and stability in uncertain times.

Early January saw U.S. forces detain Venezuelan President Nicolás Maduro, with America announcing it would take temporary control of the country's massive oil industry. Venezuela has the world's largest proven oil reserves, over 300 billion barrels, but today it produces just under 1 million barrels per day, thanks to underinvestment, corruption, secrecy, and U.S. sanctions.

Looking ahead, analysts see limited immediate impact on global oil prices. Restoring Venezuela to even half its former production, say, 1.3 to 1.4 million barrels per day, could take a couple of years, while reaching previous highs (over 3 million bpd) may take a decade and billions spent rebuilding infrastructure. OPEC+ markets will have a bigger influence in the near term, and additional Venezuelan oil would mostly help ease the current global surplus.

Against this backdrop, Brent crude is forecast to average around

$61 per barrel this year, courtesy of ample supply and moderate demand. That means lower costs at the pump and in household energy bills, reinforcing that gentle drop in inflation.

In the U.S., the Federal Reserve also trimmed rates in December to 3.5–3.75%, marking the third cut in six months. The Fed indicated more may come, courtesy of cooling inflation. That's good news for global financial markets, as cheaper Americans' borrowing in turn supports company profits and stock prices.

We may have to wait for the Fed's next rate cut though. Friday's jobs report showed fewer jobs created than expected, as only 50 thousand were added to nonfarm payrolls in December (Bloomberg's consensus was for 70 thousand), and the prior 2 month's payrolls were revised down by a combined 76 thousand. Despite the sluggish levels of job creation, there was an unexpected sharp drop in the US unemployment rate, from 4.6% to 4.4%. With such mixed signals from the jobs report its likely the Fed will wait for more data to get a clearer understanding of the labour market, so a cut at their next meeting in January is highly unlikely. In fact, Aberdeen's view is that US rates are likely to remain on hold before two cuts are delivered by the new chair in the second half of 2026.

China's economy is forecast to grow at just 4–5% this year, slower than its breakneck expansion of the past two decades. That's putting a little pressure on global trade and commodity demand. For UK exporters and commodity-linked sectors, that's one to watch.

Overall, 2026 looks set for careful optimism, supported by price stability, cheaper borrowing, and a solid, but not spectacular, economic backdrop.

The week ahead:

Investors will be watching a steady flow of data next week that could help shape the outlook on inflation, production, trade, and consumer activity across the UK and abroad.

In the UK, Tuesday, January 13 will see the release of the BRC retail sales monitor, offering an early glimpse into how retail spending performed over the holiday season. On Wednesday, January 14, the government is set to auction 30-year gilts, essentially the UK's version of long-term borrowing, which investors will be watching closely as it influences long-term interest rate expectations. Thursday brings a packed day: December's RICS house price balance report, November's latest GDP numbers, industrial and manufacturing production figures, and the trade balance for goods are all due on January 15. Finally, Friday, January 16 features composite leading and coincident indicators, which combine several data points to hint at where the economy might be headed next.

Across the euro area, Tuesday, January 13 will bring December's detailed consumer price index data, both headline and core inflation, vital for the European Central Bank as it assesses its monetary policy stance. On Wednesday, January 14, we'll get November's industrial production numbers alongside November trade figures, followed by combined leading and coincident indicators that offer insight into whether the euro zone economy is gathering steam or losing momentum. Thursday, January 15 continues the theme, with more inflation data, this time including core and harmonised CPI, and November's final industrial production and trade balance.

Meanwhile, in the United States, Tuesday, January 13 brings the December consumer price index release, arguably the week's most crucial number. It will be accompanied by data on real earnings and could very well affect the Federal Reserve's tone on future policy. Then on Wednesday, January 14, the producer price index for November will provide an upstream view of inflation pressures. Wednesday also brings housing figures (existing home sales), business inventories, and the Federal Reserve's Beige Book—a regional economic summary that often sets the tone for upcoming rate decisions. On Thursday, January 15, retail sales data for December will tell us how consumers concluded the holiday season, while regional manufacturing surveys from the Empire State and Philadelphia will give fresh insight into factory strength. Weekly jobless claims will round out the day, offering another read on the labour market. Finally, Friday, January 16 features US industrial production and capacity utilisation, rounding off the week with a snapshot of factory performance.

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