Five things you need to know *from January's markets*

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The first month of 2026 has been anything but quiet. A fractured geopolitical landscape has become more strained, while last year's big theme – underperformance of US equities – has continued into the new year.

1 US military action in Venezuela

The year began with a significant geopolitical shock, as US forces launched Operation Absolute Resolve. In a high-stakes military strike targeting Caracas, President Nicolás Maduro and First Lady Cilia Flores were captured and transported to New York to face federal narco-terrorism and drug trafficking charges.

The Trump administration justified the raid as necessary law-enforcement action, but drew sharp condemnation from the UN and several G20 nations, who labelled it as a violation of sovereignty.

For markets, the immediate focus is oil. President Trump signalled that access to Venezuelan energy reserves was a core driver, quickly announcing a supply deal with the acting government. As the US moves to control Venezuela's oil industry directly, the ask is on private companies to invest in the infrastructure to support greater supply. Given the amount of time and money required, the opportunity was met with caution.

2 Transatlantic relations at breaking point over Greenland

Shortly after events in Venezuela, President Trump reignited his bid to acquire Greenland from Denmark, sparking a diplomatic crisis. Citing national security concerns over Chinese and Russian Arctic influence, the administration threatened tariffs on Denmark and seven other European allies that opposed the move.

European leaders responded with fierce resolve. French President Emmanuel Macron warned of an economic "bazooka" response, while Danish Prime Minister Mette Frederiksen declared that the "world order as we know it is now over". And although rhetoric softened towards the end of January, the episode highlights traditional NATO alliances are being tested.

3 Federal Reserve transition: Kevin Warsh nominated as Chair

In a move that ultimately calmed markets, President Trump nominated Kevin Warsh to succeed Jerome Powell when his term ends in May.

The appointment comes amidst extraordinary tension; Powell remains under Department of Justice investigation over historic Fed building renovations, a probe that many critics view as politically motivated.

Warsh, a former Fed governor and Wall Street veteran, is widely viewed as a pragmatic choice. Many investors believe he could help protect the central bank's independence while satisfying the President's desire for a "regime change". Warsh holds enough credibility for markets to consider him more than just a "Trump Yes-man" and someone that will make reasoned decisions. That said, Senate confirmation may face delays while the Powell investigation continues to unfold or is dropped.

4 Precious metals soar, then stumble

Driven in part by the geopolitical chaos, gold achieved a historic milestone, surpassing $5,000 per ounce in January. The rally was fuelled by investors seeking "safe haven" protection against foreign policy and central bank uncertainty. Silver also saw a momentum-driven surge, crossing $100 per ounce for the first time.

However, the month ended with a sharp correction. Following the Warsh nomination, the US dollar rebounded and gold fell 9%, with silver plunging 28% in a single day – silver's worst day since 1980.

As central banks continue to buy gold and diversify away from the dollar, there is reason to believe the trend upwards can continue, but at these price levels there's a good chance we'll see more swings of this magnitude.

5 AI "hyperscalers" divide the market

Technology earnings provided a reality check for the AI-driven bull market. While companies reported robust results, the market reaction was markedly mixed.

Microsoft shares fell 10% following reports of accelerating AI spending and slowing cloud-sales growth, whilst Meta saw a similar rise.

Investors are no longer rewarding high capital expenditure on AI blindly; they're now scrutinising the monetisation of these investments. The so-called "AI premium" can't be relied upon to be the rising tide that lifts all boats.

Name	1m	3m	YTD	1yr	3yr
FTSE Actuaries UK Conventional Gilts All Stocks	-0.10	0.25	-0.10	4.08	2.55
ICE BofA Global Corporate	0.53	0.70	0.53	6.70	16.29
ICE BofA Global High Yield	0.69	1.66	0.69	7.80	28.33
FTSE All Share	3.08	5.73	3.08	21.15	44.51
FTSE USA	-0.82	-3.16	-0.82	4.47	57.82
FTSE World Europe ex UK	2.58	6.00	2.58	21.31	46.61
FTSE Japan	4.23	2.19	4.23	18.79	45.57
FTSE Asia Pacific ex Japan	5.67	3.26	5.67	24.81	36.95
FTSE Emerging	3.60	1.12	3.60	19.64	36.33

Source: FE Analytics, GBP total return (%) to last month end

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