The *Monthly Edit*

January 2026

We examine the markets daily, and our monthly update is a selection of key global stories explained through an investment lens.

Market headlines

Global equities began 2026 on a firm footing

US markets extended late-2025 momentum with broader participation across small- and mid-cap names. However, geopolitical tensions and volatility in technology kept overall risk appetite uneven.

Ex-US markets outperformed

European equities gained on easing inflation trends, while Japan and Emerging markets rallied on expectations of further policy support and favourable currency moves.

Precious metals surged as investors sought safety

Safe-haven demand strengthened as geopolitical and policy uncertainty persisted. Gold and silver reached fresh record highs, reflecting investor caution despite stronger performance in global equities.

Central banks paused as inflation stayed above target

The US Federal Reserve (Fed) held its benchmark rate at 3.50–3.75% in January, emphasising a cautious stance as inflation risk remained, while rising bond-market volatility signalled that higher-for-longer policy dynamics remain intact.

The big topics

Geopolitical shocks keep markets on edge

Geopolitics drove much of January's volatility, beginning with the dramatic capture of Venezuela's President Maduro by US forces.

Markets initially focused on risks to near-term oil supply, but attention soon shifted to the longer-term prospect of renewed investment in Venezuela's energy sector, which brought oil prices lower. This was quickly followed by renewed US-Europe tensions as President Trump threatened broad tariffs to force a deal over Greenland, prompting a sharp risk-off move.

Although the US later softened its stance, the sequence of events highlighted how quickly geopolitical developments can shift sentiment and keep markets highly reactive to incoming headlines.

Market leadership broadens beyond mega-caps

While headline indices were choppy, equity leadership broadened significantly over the month.

Cyclicals and small-cap stocks outperformed as improving earnings momentum and steadier growth data in the US and Europe supported confidence in the underlying economic backdrop. Equal-weight indices reached new highs, reinforcing the trend toward healthier participation beyond the mega-cap technology names that dominated in the past two years.

Sector performance moved in line with prevailing narratives: defence and energy led during periods of heightened geopolitical tension, while more rate-sensitive areas swung with central bank-driven headlines. Overall, the improvement in breadth served as an important support for risk assets and signalled greater market resilience.

Inflation signals and Fed leadership shift rate expectations

Economic data delivered a mixed picture, with softer headline inflation in the US potentially masking firmer underlying price pressures.

Energy-related volatility further complicated the near-term outlook, prompting investors to reassess the trajectory of global rate cuts. Bond markets reacted, especially at the long end, as fiscal concerns in Japan and expectations of higher defence spending in Europe pushed yields higher.

In the US, markets trimmed expectations for cuts in 2026 as policymakers emphasised that inflation remains above target. Rate expectations shifted more decisively late in the month after President Trump nominated former Fed Governor Kevin Warsh as the next Chair, reinforcing a more hawkish policy bias.

Sharp precious metal moves highlight fragile positioning

Safe-haven flows were a defining feature of the month, with gold and silver delivering some of their most dramatic moves in decades.

Mounting geopolitical tensions and heightened policy uncertainty drove a strong rally that pushed both metals to fresh record highs. The surge was amplified by leveraged positioning, which later contributed to abrupt and disorderly reversals—particularly in silver, where speculative flows unwound at exceptional speed.

The episode highlighted how quickly leveraged commodity trades can overshoot and then retrace, and how sensitive precious metals-markets remain to shifts in confidence and positioning.

Important information

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