

Market Commentary & Outlook January 2026

Summary

- **Geopolitical volatility** unsettled markets but eased later in the month.
- **US Dollar** weakened against global currencies. The **AUD surged** above US\$0.70 resulting in **strong** returns for hedged international equities.
- **US Fed held** rates in January. Market now expecting **cuts later** in 2026.
- **Australian headline CPI 3.8% YoY**, still above target.
- **Australian equities closed higher** led by Energy and Materials; Tech & AREITS lagged.
- **Bond yields**: Modest returns in Australian bonds with hedged global bonds benefitting from a stronger AUD.
- **Gold and Silver** surged to new highs, amid volatility.

Global Market Overview

Another month of intra-month volatility. Geopolitical issues with US action in Venezuela, US threatened action in Iran, and continued desire by the US to take over Greenland all made markets nervous for brief periods. In the end most major indices had a positive month with a weaker US dollar helping emerging markets, Japan, and small caps to perform well on a relative basis. The story of the month was the surge in gold and silver prices into record territory before sharply correcting prior to month end.

Australia

The RBA didn't meet in January. Data released showed headline CPI at 3.8% year on year which led the market to predict a rate rise in February, which was duly delivered by the RBA. A higher than expected rebound in private spending, coupled with public spending was stated by the RBA as the primary cause for higher inflation.

- **S&P/ASX 200 rose 1.8%**, led by Materials (9.49%) and Energy (10.62%). Tech (-9.43%) and AREITS (-2.66%) lagged.
- Small caps rose **2.74%**, continuing the outperformance versus large caps.

Global Equities

The S&P 500 had a positive month in USD terms (1.45%). In unhedged AUD terms this translated to a -3.43% return as the Australian dollar surged over US\$0.70 in the month. The MSCI ACWI ex Australia hedged returned 2.45% with the unhedged version an almost negative mirror at -2.04%.

- **Emerging markets, Europe, and Japan** continued to do well relative to the US with a weaker US dollar being a consistent theme but also supported by regional drivers.

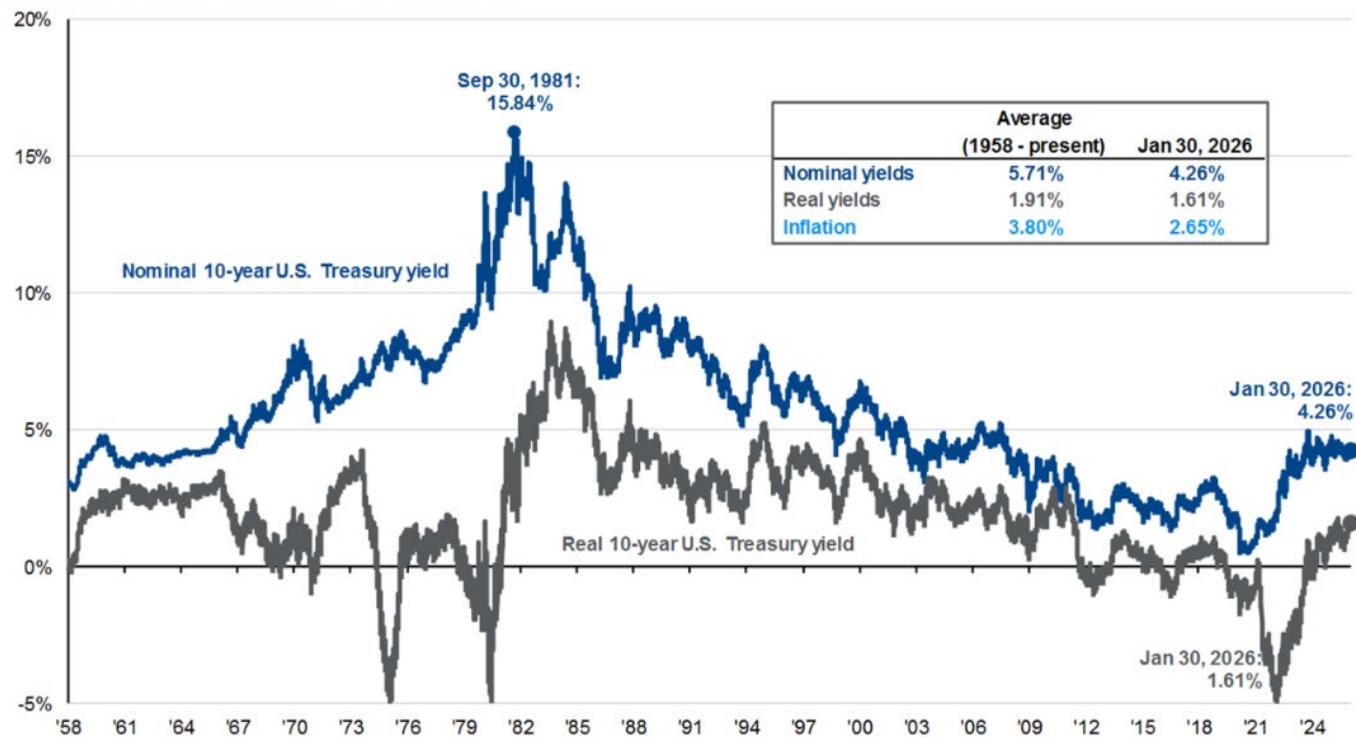
Fixed Income & Commodities

January saw higher yields across most global markets:

- **Australia:** The 10 year Commonwealth yield finished higher, rising 6.5 basis points to 4.81%, as markets continued to price a more cautious RBA. Income returns helped the Bloomberg AusBond Composite to have a positive month.-year Commonwealth yield finished
- **United States:** Start to end of month the US 10 year rose modestly to 4.26%. There was a mid-month dip on weak labour data but yields then rose on tariff headlines as the stoush over Greenland continued.
- **Gold and Silver** had a roller coaster month, surging on safe-haven asset status, helped by a weaker US dollar, central bank buying, and industrial demand for silver. The surge was short lived as President Trump's nomination of a perceived inflation hawk for Fed chair saw the USD strengthen, yields rise and gold lost appeal. Margin calls, technical unwind, and profit taking were other stated reasons for the decline.

Interest Rates and Inflation

Nominal and real U.S. 10-year Treasury yields



Source: J.P.Morgan Guide to the Markets, BLS, FactSet, Federal Reserve, J.P. Morgan Asset Management. Data are as of January 30, 2026.

The chart above looks at nominal and real US rates since 1958. Until recently rates have been falling for 30 years. Higher government debt and higher inflation from tariffs could see higher rates for longer.

Outlook and Positioning

The outlook for 2026 is relatively benign but not without risks. Rate hikes in Australia are now a reality with divergence from the path of the rest of the developed world, with the exception of Japan. Fed independence seems to be assured with the nomination of Kevin Warsh. The debate over the ability to generate a return on the extraordinary AI spend by hyperscalers continues and the risk of higher inflation outside Australia has not dissipated. Geopolitical and policy issues bubble away with sporadic impacts on markets.

No change to our views from late 2025. We continue to favour a diversified approach to global equities, with a dedicated emerging market exposure, and a preference for active management in fixed interest,

Benchmark Returns

Period Ended: 31 December 2025	1 Month %	3 Months %	6 Months %	1 Year %	3 Years % (pa)	5 Years % (pa)	10 Years % (pa)
Australian Shares							
S&P/ASX 100	1.58	0.09	1.68	6.01	9.46	10.44	10.22
S&P/ASX 200	1.79	0.36	3.06	7.37	9.81	10.21	10.12
S&P/ASX Small Ordinaries	2.74	2.65	17.30	22.76	12.08	7.49	9.51
International Shares							
MSCI ACWI ex-Australia AUD	-2.04	-2.82	3.84	8.59	19.48	14.07	12.91
MSCI ACWI ex-Australia AUD (Hedged)	2.45	3.32	12.34	18.96	18.43	11.76	
Australian Cash and Bonds							
Bloomberg AusBond Bank	0.30	0.91	1.83	3.89	4.12	2.77	2.12
Bloomberg AusBond Composite Index	0.21	-1.29	-0.51	3.20	2.85	-0.31	1.93
International Bonds							
Bloomberg Global Aggregate AUD (Hedged)	0.23	0.17	2.11	4.26	3.34	-0.43	1.81
Global Listed Infrastructures							
FTSE Developed Core Listed Infrastructure 50/50 AUD (Hedged)	3.44	3.91	6.71	13.90	7.95	8.17	7.61
Property							
S&P/ASX 200 A-REIT	-2.66	-4.58	-2.84	1.61	11.08	9.16	7.51
FTSE EPRA Nareit Developed AUD (Hedged)	2.81	3.43	7.26	8.76	4.30	3.74	3.62

Source: Morningstar Direct

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