



# ALBERT E SHARP

INVESTMENT MANAGEMENT & STOCKBROKING

Market Commentary

January 2026

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**Monthly returns and summary**

Index	Portfolio						
	Benchmark Risk Level	31/01/2026	1 Month	3 Months	1 Year	3 Years	5 Years
ARC Cautious	Low Risk	222.80	+0.8%	+1.3%	+6.2%	+14.7%	+12.9%
ARC Balanced	Medium Risk	289.30	+1.3%	+1.6%	+7.7%	+21.4%	+22.4%
ARC Steady Growth	Medium High Risk	355.10	+1.5%	+1.6%	+8.0%	+25.0%	+28.4%
ARC Equity Risk	High Risk	424.20	+1.7%	+1.4%	+7.8%	+27.8%	+32.7%

Source: Figures based on ARC estimates.

Index	Region / Asset Class	31/01/2026	1 Month	3 Months	1 Year	3 Years	5 Years
UK 100	UK	10223.54	2.9%	5.2%	17.9%	31.5%	59.6%
UK All Share	UK	5511.52	3.0%	5.2%	17.0%	29.5%	51.3%
Dow Jones Ind Avg	US	48892.47	1.7%	2.8%	9.8%	43.4%	63.1%
S&P 500 Index	US	6939.03	1.4%	1.4%	14.9%	70.2%	86.8%
Nikkei 225	Japan	53322.85	5.9%	1.7%	34.7%	95.1%	92.8%
MSCI Europe Ex UK	Europe	240.67	2.9%	6.5%	12.3%	34.2%	52.4%
MSCI Asia Ex Japan	Asia	987.94	8.2%	7.7%	39.5%	47.5%	12.7%
MSCI Emg Mkts (£)	Emg Mkts	908.28	6.7%	4.8%	29.3%	42.7%	29.8%
MSCI World Index (£)	Global	4527.59	2.2%	3.1%	18.0%	62.6%	70.1%
UK Conventional	Gilts	3174.25	-0.1%	0.3%	4.1%	2.6%	-22.7%
UK Index-linked	Gilts	3783.98	0.9%	0.7%	0.9%	-8.3%	-32.5%
UK Real Estate Investment Trusts	Property	2024.99	5.1%	6.6%	9.0%	-7.3%	-16.1%
WTI Crude (\$/Barrel)	Oil	65.21	13.6%	6.9%	-10.1%	-17.3%	24.9%
Gold Spot \$/Oz	Commodities	4894.23	13.3%	22.3%	74.9%	153.8%	164.9%
£1 = US\$	Currencies	1.3686	1.6%	4.1%	10.4%	11.1%	-0.2%
£1 = €	Currencies	1.1549	0.7%	1.3%	-3.4%	1.8%	2.3%
£1 = Yen	Currencies	211.82	0.3%	4.6%	10.1%	32.2%	47.6%

Source: Bloomberg. NB: Price returns only, excluding dividends

Index	Region / Asset Class	31/01/2026	1 Month	3 Months	1 Year	3 Years	5 Years
UK Investment Companies	Diversified	14,317.86	1.7%	2.2%	11.1%	20.1%	12.1%
Latest Weighted Average Discount			-12.4%				
12 Month Weighted Average Discount			-13.8%				

Source: Bloomberg, Refinitiv. NB: Price returns only, excluding dividends

**General Comments**

Markets had a strong start to 2026 and followed a similar pattern to the prior year with upbeat stock market performance from Japan, Emerging Markets, and the UK. As mentioned below, many new all-time highs were marked and there were some significant milestones crossed in a good month for equities.

Meanwhile, commodities surged with gold and oil both up over 13%. Once again, this came as the US dollar weakened. The likes of silver and copper also registered significant gains, while experiencing notable volatility on an almost daily basis.

This volatility was heightened across markets in January, with elevated geopolitical tensions and a rapidly moving trade picture influencing regular changes of sentiment. Ultimately, however, markets continued their upwards march with positive sentiment continuing to prevail.

## UK Commentary

The UK's financial markets began 2026 with a historic breakthrough as the FTSE 100 surpassed the 10,000-point threshold for the first time since its 1984 inception. This milestone reflects a robust recovery in sectors like banking, mining, and defence, which international investors currently view as undervalued compared to tech-heavy global peers.

Politically, the Conservative Party faced significant turmoil as high-profile figures like Robert Jenrick and Suella Braverman defected to Reform UK, signalling a major shift in the right-wing political landscape.

Meanwhile, monetary policy remained a focal point as the Bank of England admitted its inflation and wage growth forecasts have been consistently too low since 2022. With inflation ticking up to 3.4% in December, the central bank faces a complex path despite expectations for further rate cuts later this year.

## North America Commentary

North American markets were dominated by a blend of record-breaking equity performance and somewhat unprecedented political friction with the Federal Reserve. The S&P 500 (very briefly) crossed the 7,000-point mark for the first time ever in January, fuelled by optimism surrounding corporate earnings and artificial intelligence.

In a major shift for monetary policy, President Trump nominated Kevin Warsh as the next Fed Chair, a move that markets interpreted as a hawkish turn focused on aggressive inflation control and shrinking the central bank's balance sheet. Trump critics had suggested he may opt for a very different type of Fed Chair and would try to push for lower rates. It will be interesting to see whether Warsh delivers what the President wants, or what his own past reputation suggests. Simultaneously, the administration escalated a confrontation with current Chair Jerome Powell, launching a criminal investigation into the renovation of Fed headquarters—a move Powell denounced as a pretext to undermine central bank independence.

Geopolitically, the President's pursuit of Greenland sparked a diplomatic crisis with European allies, including threats of significant tariffs that briefly roiled global markets. Additionally, the administration took aggressive steps in foreign policy, seizing Russian tankers and blockading Venezuelan oil exports to secure US strategic interests.

The technology sector remained a powerhouse, with Alphabet reaching a \$4 trillion valuation as its Gemini AI model gained competitive ground.

Economically, the data presented a mixed outlook; while third-quarter GDP was revised upward to 4.4%, December job growth cooled significantly to just 50,000.

## Europe Commentary

Europe's economic landscape in January was defined by stabilizing inflation and landmark international trade agreements. It was revealed that Eurozone inflation fell to the 2% target in December, the first time it has met the European Central Bank's objective since mid-2024. This development has solidified expectations that interest rates will remain steady for the near future.

On the trade front, the European Union finalized a deal with India that will eliminate approximately €4 billion in tariffs on EU exports, alongside a provisional agreement for the Mercosur pact with Latin American nations after decades of negotiation. The Indian deal is expected to double shipments and drastically reduce costs for machinery and consumer goods.

Germany, the region's largest economy, managed to eke out 0.2% growth for 2025, finally emerging from a multi-year recessionary period.

The corporate sector saw starkly different fortunes: Dutch chip-equipment maker ASML reported record bookings and revenues due to the AI boom, while software giant SAP saw its shares plummet over concerns about slowing cloud revenue growth. Furthermore, European defence companies saw their stock prices surge, exemplified by the successful market debut of Czechoslovak Group, as geopolitical tensions remained high. Conversely, luxury sports-car maker Porsche struggled with a 10% slump in sales, highlighting the challenges of transitioning to electric models in the face of weakening Chinese demand.

All of these results played into now well-established themes with investors favouring clear AI beneficiaries over software firms whose future is less certain given the technological changes, increasing defence spending offering a boost to these businesses, and continued and elevated Chinese competition in automotive markets.

### Asia Pacific Commentary

In Japan, Prime Minister Sanae Takaichi initiated a high-stakes political gamble by calling for a snap general election in February, seeking a mandate for bold fiscal stimulus and a temporary suspension of sales taxes on food. This political shift caused Japanese stocks to reach all-time highs while simultaneously putting pressure on sovereign debt. Consequently, 10-year Japanese government bond yields surged to their highest levels in decades, surpassing 2.1%, while 40-year yields broke past 4% (more on this below). The yen also experienced extreme volatility, prompting speculation of rare, coordinated intervention by the US and Japan after it hit its weakest levels since 2024.

In the technology sector, Taiwan's TSMC announced a significant increase in capital spending, projecting massive revenue growth from AI chips through 2029. Similarly, South Korean giants Samsung and SK Hynix reported record earnings and planned "substantial" capital expenditures to combat worsening global shortages of memory chips used in AI data centres.

### Emerging Market Commentary

Emerging markets delivered their strongest start to a year since 2022, led by record-breaking Chinese trade figures and significant shifts in the electric vehicle (EV) market. A major milestone was reached when China's BYD officially overtook Tesla as the world's top seller of fully electric vehicles, reporting 2.26 million deliveries for 2025.

This occurred as China reported a record annual trade surplus of \$1.2 trillion, further inflaming trade tensions with the EU and US.

**Chart of the month – Japanese 40-Year Government Bond Yield**

The Japanese 40-year government bond (JGB) yield surged past 4% for the first time since bonds of this maturity were introduced in 2007. On a single day during the month, the yield jumped 0.3 percentage points to reach as high as 4.21%. For years, government and central bank policy has kept JGB yields very close to zero. However, recent developments have seen a major shift in rates. These include:

- **Political Manoeuvring:** Prime Minister Sanae Takaichi's decision to call a snap general election for February 8<sup>th</sup> signalled a potential mandate for aggressive fiscal changes.
- **Fiscal Expansion:** Investors reacted to a \$135 billion stimulus plan and Takaichi's proposal to suspend the 8% sales tax on food for two years.
- **Monetary Policy Normalization:** The Bank of Japan's move toward a conventional policy framework, including an increased policy rate of 0.75%.

This month represented the worst start to a year for JGBs since 1994. While the 40-year yield set new all-time records, the benchmark 10-year yield also climbed to 2.14%, its highest level since 1999. The lack of investor appetite for long-dated debt was further evidenced by a weak 20-year bond auction, which received less investor interest than usual.

It is a very interesting time for Japan, as some people argue they need Takaichi's stimulus plan, and indeed that they can afford it. As a recent FT article pointed out, while Japan has a high level of debt to GDP, they also have a huge amount of public sector assets. In fact, the article showed that, despite large differences in *gross* figures, Japan and the US have identical *net* debt to GDP figures at 119%. For comparison, the US 10-year yield is 4.24% and the 30-year (the US doesn't issue longer-dated debt than this) yield is 4.84%. Despite all the talk of Japan's debt pile, arguably they are in a position that is not as precarious as gross figures suggest.

## *Investment Team's thoughts*

The new year got off to a roaring start with patterns established in previous years continuing. The US dollar remains under pressure, and this is having an impact on many UK investors who are heavily invested in the US. Despite decent returns in that market in dollar terms, the stronger pound erodes the value of US returns for UK-based investors.

Commodities markets remain particularly volatile. Gold and silver are experiencing significant turbulence, which is perhaps a sign of wider uncertainty in markets. Despite this uncertainty, businesses continue to produce strong results with corporate profits around the world showing strength.

With some markets swinging sharply, heightened geopolitical uncertainties, and many equities reaching new all-time highs, investors would be forgiven for worrying about signs of excess in markets. However, fundamentals remain strong and prospective long-term returns for many markets continue to be attractive. If anything, volatility is providing opportunities for us and our fund managers to invest in some strong opportunities at attractive valuations.