

January 26, 2026

Weekly Investment Insights



MARKET SNAPSHOT

After a volatile week, gold hit a record high on Monday, surpassing \$5,000 a troy ounce for the first time as investors sought out stores of value in light of the uncertain times we find ourselves in. Silver rose above \$100 an ounce for the first time on Friday. The US dollar's role as a safe haven has come into question, with the greenback falling against a basket of currencies last week, given the unpredictable nature of policies emanating from the White House.

Stocks traded lower at the start of last week, as tension surrounding Greenland mounted, but major indexes reversed course on Wednesday, as Trump softened his stance on the topic. Nevertheless, some indexes on both sides of the Atlantic ended last week lower amid renewed trade and geopolitical uncertainty.

	5 Day Percentage Change	MTD Percentage Change	YTD Percentage Change
S&P 500	-0.42	1,02	1,02
Nasdaq Composite	-0,12	1,12	1,12
EuroStoxx 50	0,20	2,52	2,52
CAC40	0,04	-0,42	-0,42
DAX	-0,49	1,41	1,41
CSI 300	-0,58	1,66	1,66
US 10 Year Yield (%)	-0,37	0,97	0,97
Germany 10 Year Yield (%)	1,37	0,81	0,81
Gold Spot (\$/Oz)	9,03	17,90	17,90

Source: Bloomberg, BIL as of January 26

This week, attention turns to the monetary policy meeting of the US Federal Reserve on Wednesday (with markets expecting the FOMC to keep rates steady), as well as the earnings reports from over 90 S&P 500 companies. So far, the US earnings season is off to a strong start, with 78% of the companies that have reported beating expectations.

IMF upgrades global growth forecasts as technology and adaptability offset trade policy headwinds

In its latest World Economic Outlook, the IMF projects global growth at 3.3% for 2026 (up from 3.1% in its October publication), and 3.2% in 2027. Ongoing strength is attributed to technological investment (more so in North America and Asia), fiscal and monetary support, accommodative financial conditions, and private sector adaptability. These forces are expected to offset trade policy shifts.

Global inflation is expected to fall, though US inflation is expected to return to target more gradually. This squares with Chair Powell's belief that goods inflation should peak around the first quarter of 2026, assuming no additional tariff rounds.

The IMF acknowledged that risks facing the global economy are tilted to the downside. Any re-evaluation of the impact of AI on productivity could trigger market volatility and a downshift in investment. Circular investment and procurement arrangements among large AI players adds an additional layer of concentration risk.

Geopolitical tensions could also re-emerge as a source of volatility at any moment.

	Estimate 2025	Projections		Difference from October 2025 projections	
		2026	2027	2026	2027
World	3.3%	3.3%	3.2%	0.2pp	
Advanced Economies	1.7%	1.8%	1.7%	0.2pp	
United States	2.1%	2.4%	2.0%	0.3pp	-0.1pp
Euro Area	1.4%	1.3%	1.4%	0.1pp	
Germany	0.2%	1.1%	1.5%	0.2pp	
France	0.8%	1.0%	1.2%	0.1pp	
Japan	1.1%	0.7%	0.6%	0.1pp	
China	5.0%	4.5%	4.0%	0.3pp	-0.2pp
Emerging Market and Developing Economies	4.4%	4.2%	4.1%	0.2pp	-0.1pp

Source: IMF World Economic Outlook, January 2026, *BIL*

China's weak consumption threatens growth prospects

Another attention point for 2026 will be whether China's export engine - a vital factor supporting the country's 5% expansion last year - can maintain its momentum. Despite a 20% decline in exports to the US, China recorded a USD 1.2 Trillion trade surplus, as the world's two superpowers continued to embark on strategic decoupling. Next year, however, as the dust settles on tariff announcements and with initial knee-jerk reactions behind us, it remains an open question as to whether other regions will continue to absorb its redirected goods.

European industry groups and automotive lobbies are already on alert, with calls for tougher trade defenses to counter the shift in imports. The EU is mulling measures to protect domestic markets. It has already announced a new EUR 3 import fee on packages worth less than EUR 150, effective July 2026.

For years, China has invested heavily in industry while overlooking domestic consumer spending to meet its growth targets. Although Beijing has repeatedly pledged to prioritize boosting domestic demand, in 2025, the soft jobs market and declining home prices continued to dampen consumer confidence. Consumption remains weak, as exemplified by December retail sales, which grew by a mere 0.9% year-on-year—the weakest growth since December 2022.

In contrast, industrial production saw robust growth, rising by 5.9% in 2025. Exports have benefited from foreign demand, as China has diversified its trade partners to reduce reliance on the US. However, the focus on industrial growth has led to overcapacity, creating deflationary pressures in the economy.

In 2026, Beijing is under more pressure to change its export reliant growth model, and to meaningfully improve consumer confidence and household demand. So far this year, several measures aimed turning this around have been announced:

- The central bank announced a targeted monetary policy easing package, including cutting rates on structural tools by 0.25 percentage points
- The finance ministry announced that China will extend interest subsidies for consumers, service businesses and those in need of equipment upgrades, to the end of 2026. Additionally, the ministry will provide interest subsidies for up to two years for loans extended to small and micro-sized private firms from this year
- Authorities also extended tax incentives for the sectors of elderly care, childcare and housekeeping until the end of 2027

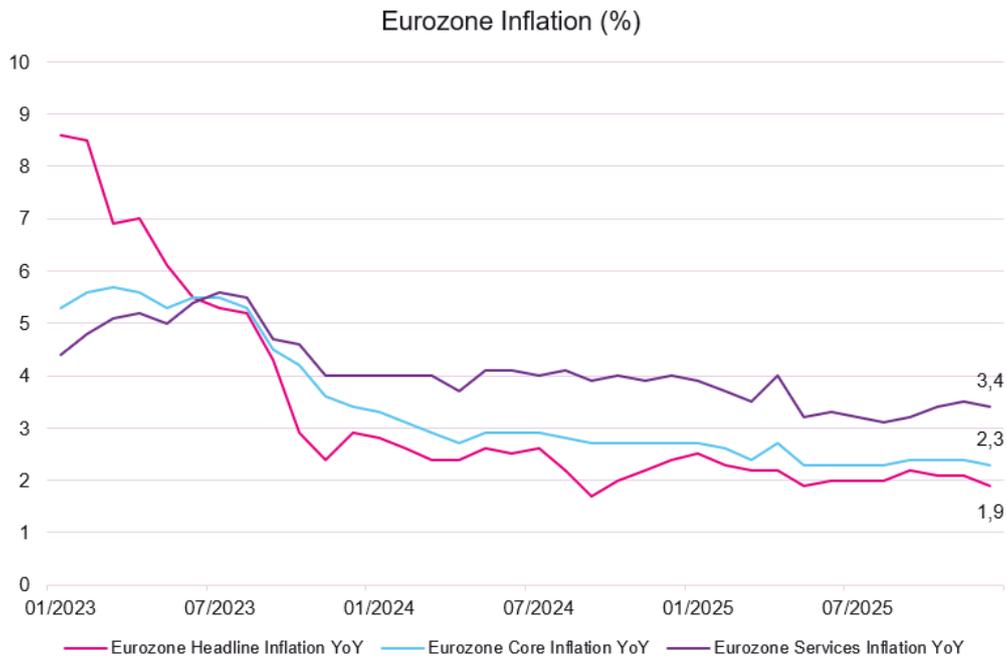
However, it is clear that more significant demand-side stimulus and structural reforms will be needed to create a better balance between demand and supply. At a seminar on Tuesday, President Xi pledged to “make domestic demand the main driving force of economic growth”.

Inflation dipped below the ECB’s target in December, while PMIs point to an economy that’s humming along

Eurozone consumer price inflation eased to 1.9% in December, according to revised figures from Eurostat. That’s down from 2.1% in November, and below the ECB’s 2% target. The data enhanced expectations for the ECB to keep policy on hold for the time being. Pricing in futures markets does not imply any changes the ECB’s main rate before the end of 2026.

Digging into the details, services inflation moderated to 3.4%, while energy prices fell by 1.9% YoY. Inflation for food, alcohol, and tobacco inched higher to 2.5% from 2.4%.

Core inflation slipped to 2.3%, its lowest level in four months. Among the largest Eurozone economies, harmonised inflation cooled in Germany (2.0% vs. 2.6%), France (0.7% vs. 0.8%), and Spain (3.0% vs. 3.2%). Italy countered the trend, with HICP inflation ticking up modestly to 1.2%.

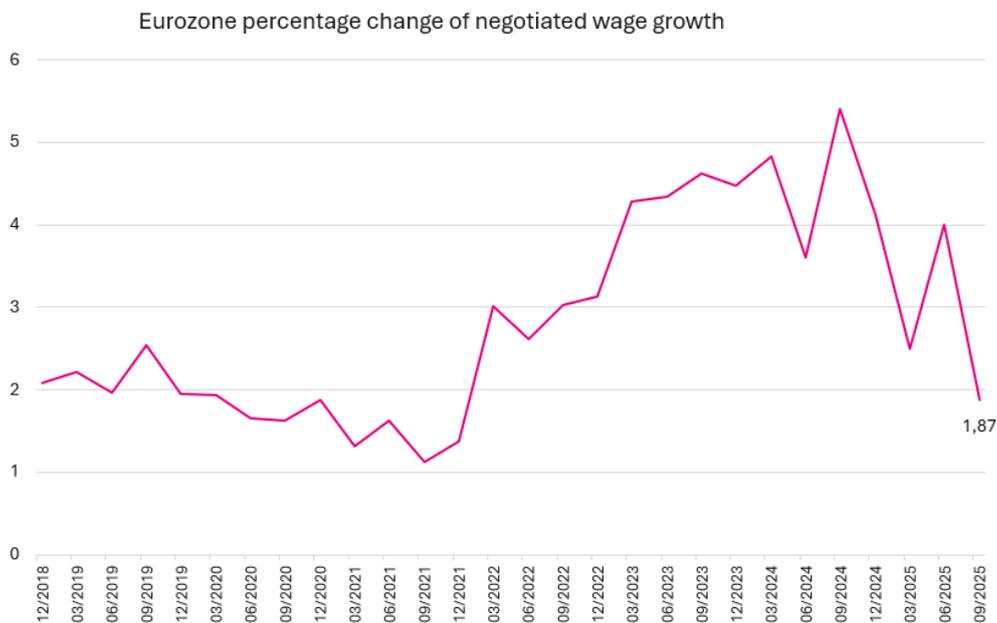


Source: Bloomberg, BIL

Looking ahead, there are reasons to believe inflation will remain subdued in the months ahead. Firstly, wage growth has been the dominant driver of services inflation. Wages have cooled substantially, though this can be slow to show up in the data; price changes for around 25% of the services item within the inflation basket are concentrated in the first two months of the year.

Secondly, weaker external demand, reinforced by a stronger euro, may also act as a disinflationary force.

And thirdly, ECB economists estimate that the diversion of Chinese goods (especially in technology) to Europe, driven by US tariffs and weak domestic demand, could reduce Eurozone inflation by up to 0.15–0.3 percentage points.



Source: Bloomberg, BIL

On Friday, flash PMIs for the Eurozone pointed to an economy that is ambling on, with the composite reading holding steady at 51.5 in January.

Activity in the services sector slowed, but remains in expansionary territory, above the 50 mark (51.9 from 52.4 in December). Notably, activity in the German services sector expanded at a fairly strong pace, while in France it slipped into contractionary territory – potentially due to ongoing challenges in passing the 2026 budget. PM Lecornu has now invoked Article 49.3 to bypass parliament but now faces a no confidence vote.

The downturn in manufacturing eased slightly, with the PMI rising from 48.8 to 49.4, as production returned to growth and new orders improved. Business confidence in the goods-producing sector hit a four-year high, even if higher input inflation and falling selling prices hinted at margin compression.

The UK labour market continues to weaken while inflation remains sticky

In the run-up to the November budget announcement, the British labour market weakened, with wage growth slowing and unemployment holding at its highest rate since January 2021 (5.1%), following a period of weak hiring. According to provisional tax office data, the number of employees on UK payrolls fell by 43,000 in December, which is the biggest drop since November 2020.

Annual pay growth in the private sector, excluding bonuses, slowed to 3.6% in the three months to November — the slowest rise since November 2020 — down from 3.9% in the three months

to October.

The Bank of England (BoE) closely follows private sector wage growth to determine underlying price pressures, and although the slowing wage growth will support further monetary easing by the central bank, it is expected to hold rates steady at 3.75% in February while continuing to monitor the evolution of inflation. In December, the annual inflation rate rose by more than expected, reaching 3.4%. This was driven by higher prices for alcohol, tobacco and transport.

On a more encouraging note, PMI surveys showed the strongest upturn in UK private sector business activity since April 2024.

Calendar for the week ahead

Monday – Germany Ifo Business Climate (January).

Tuesday – EU New Car Registrations (December). **US CB Consumer Confidence** (January).

Wednesday – Germany GfK Consumer Confidence (February). **Fed Interest Rate Decision**.

Thursday – Japan Consumer Confidence (January). Switzerland Balance of Trade (December). Eurozone Economic Sentiment (January), Consumer Confidence (Final, January). US Balance of Trade (November), Jobless Claims, Factory Orders (November).

Friday – Japan Unemployment Rate (December). Eurozone, France, Germany, Italy & Spain GDP Growth Rate (Prel, Q4). Eurozone Unemployment Rate (December). US PPI (December).

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