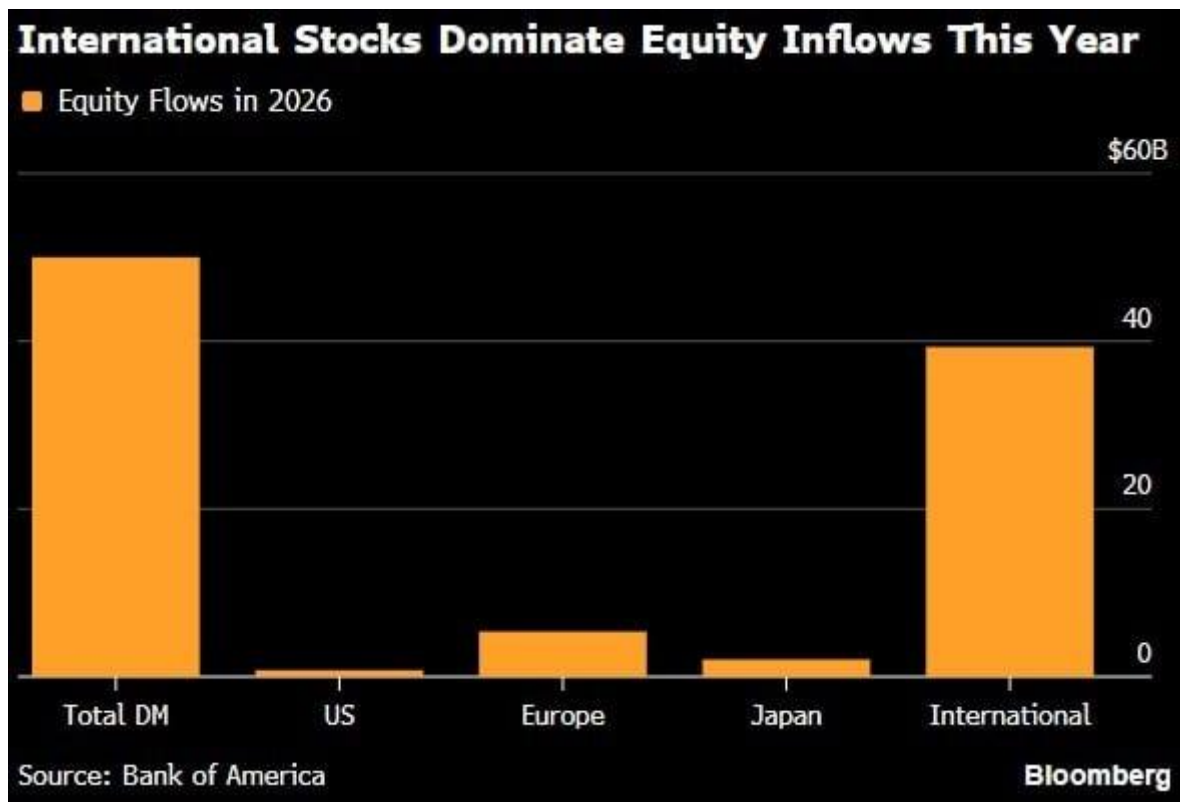


The Chart of the Week



What happened last week?

Global markets

The trading week spanning the market closes of 16 and 23 January 2026 was defined by extraordinary "V-shaped" volatility. Global markets grappled with a high-stakes diplomatic standoff over Greenland alongside a crucial pivot in the US quarterly earnings season. The previous week ended with a surge driven by semiconductor optimism. Over the weekend sentiment quickly descended into a state of alarm over potential transatlantic trade dismantling, only to conclude with a dramatic relief rally following de-escalatory signals from the World Economic Forum in Davos. Investors performance was dictated by the ability to navigate "geopolitical tail risk" while tracking a significant rotation into domestic cyclical and international value.

US

United States equities endured a tumultuous five-session stretch, with the S&P 500 ending the week broadly flat. The defining moment of the week was "Tariff Tuesday" on 20 January, which saw the index suffer a sharp (-2.06%) single-day sell-off as the White House floated 25% tariffs on European allies as leverage for the Greenland acquisition. However, sentiment pivoted on Wednesday following a keynote address in Davos that signalled a shift toward a multilateral framework, effectively triggering a rush back into risk assets that carried through to the Friday close.

On the corporate front, the earnings narrative was mixed. While Netflix reported a headline beat, the result failed to impress the market; shares tumbled as investors focused on cautious 2026 outlook, and the bid for Warner Bros. Discovery. Technology sentiment was further dampened late in the week by Intel, which plunged 13% after issuing a grim Q1 forecast - a stark reminder that the semiconductor recovery remains uneven. Conversely, the Russell 2000 reached an all-time high, reflecting a healthy rotation into domestic cyclical as US Real GDP growth estimates for 2026 remain pinned above 2%.

Europe

Europe sat at the epicentre of the week's trade volatility. The STOXX Europe 600 closed the week 1% lower (and flat in USD terms). This modest weekly drop masks a significant mid-week drawdown, as "Anti-Coercion Instrument" (ACI) discussions in Brussels heightened fears of a trade war.

The week ended on a stronger note as the luxury sector, led by LVMH, saw stabilising demand from a recovering Chinese consumer base, while Ericsson shares surged 12% following a robust profit beat.

Despite the geopolitical noise, the "Davos pivot" on Thursday allowed European indices to snap a four-day losing streak, suggesting that fundamental growth expectations for the Eurozone remain intact.

Rest of the world

The MSCI Emerging Markets Index was the week's standout performer, gaining 2.7%. This outperformance was driven by Asian technology stocks which were boosted by prior week's TSMC bullish investment guidance, and maintained their momentum throughout the week as a "safe harbour" from Western trade disputes. In China, tech sentiment was challenged mid-week as Trip.com faced heavy selling pressure following an antitrust probe. However, broader index support from the PBoC and a rotation into Korean memory chip manufacturers allowed the region to decouple from the "Greenland Risk" affecting the West.

Commodities became the primary beneficiary of the week's safe-haven flows. Gold hit record highs, ending the week near \$5,032/oz, while Silver spiked to historical levels. On Tuesday 20 January, the National Bank of Poland approved a plan to purchase additional 150 tonnes of gold, which provided a significant psychological floor for bullion during the Tuesday market selloff. In the energy sector, Brent Crude notched a weekly gain of 2.7%, due to physical disruptions. Winter Storm Fern forced roughly 250,000 barrels per day offline in the US Bakken and Permian basins, tightening the market just as a US carrier strike group moved toward Iran, reintroducing a significant geopolitical risk premium.

Our view on equities

Equity asset class

POSITIVE in current environment

We remain positive on equities. Demand for AI infrastructure remains strong while a broadening of corporate earnings will help offset rich valuation multiples, particularly in the US.

After an uneven year, earnings in 2026 are expected to accelerate and broaden. Technology stocks will continue to benefit from AI-related investments, while the “old economy” is expected to slowly recover thanks to lower interest rates and deregulation in the US.

We continue to advocate diversification while maintaining overweight position in the US / China.

Earnings

Earnings remain a tailwind for equities, supported by a strong third-quarter earnings season and expectations that growth will accelerate and broaden in 2026. Technology stocks should continue to deliver robust performance, while the “old economy” is set to recover.

Valuation

US technology stocks remain expensive, although growth and profitability provide some support while international equities are more reasonably valued. Equity risk premia remain low in both the US and Europe.

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