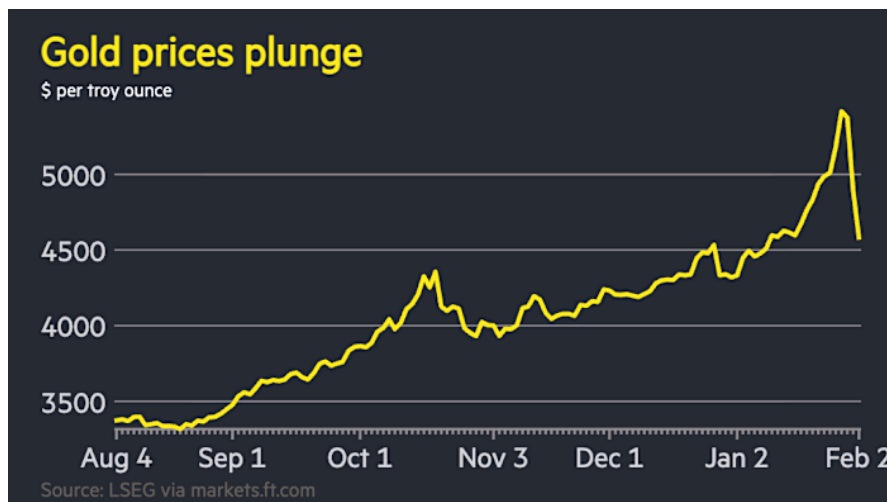


## The Chart of the Week



Source: [www.ft.com](http://www.ft.com)

## What happened last week?

### Global markets

Global markets experienced a week of significant volatility and regional divergence. On the one hand, the "Greenland Shock" transitioned into a more manageable, albeit simmering, diplomatic framework. But this shift allowed investors to refocus on a mixed set of fundamentals, including a high-stakes Federal Reserve meeting and the peak of the quarterly earnings season.

While the MSCI ACWI rose 0.7%, both Europe and Emerging Markets outperformed with gains of 1.6% and 1.8% respectively (in USD), leaving the US lagging behind. Performance was highly fragmented, characterized by a notable rotation out of software into hardware plays alongside a continued appetite for hard assets and selective cyclicals.

The week concluded with the nomination of a new Fed Chair, an announcement that sparked a choppy Friday session and triggered further volatility over the weekend, including the sharp reversal in gold and silver prices.

### US

US indices finished the period on a mixed note as investors balanced corporate results against shifting monetary policy expectations. On 28 January, the Federal Reserve opted for a "hawkish hold," maintaining the federal funds rate at 3.50%–3.75%. Although Chair Powell expressed

confidence in the 2026 growth outlook, the emergence of a "hawk-trio" consisting of Miran, Waller, and the newly nominated Kevin Warsh suggested that further rate cuts are unlikely in the first quarter. This sentiment pushed the 10-year Treasury yield back toward 4.30%.

The earnings season brought intense scrutiny to Big Tech, where Microsoft fell 10% after its Azure growth failed to accelerate despite a significant surge in capital expenditure. Conversely, Meta jumped 10.4% as record advertising revenue reassured investors, even as the company hiked its own spending guidance. Apple reported a strong beat on iPhone sales, yet the share price reaction remained muted due to ongoing concerns over rising costs. The weekend was further complicated by the anticipated nomination of Kevin Warsh as Fed Chair. Markets initially moved toward a "strong dollar" trade on the news, as Warsh is viewed as more hawkish than his predecessors, leading to a temporary squeeze in leveraged equities and a sharp unwinding of the weekly rallies in gold and silver.

## Europe

European equities ended the week broadly flat in local currencies, though in USD terms, they benefitted from weaker dollar. The initial temporary relief provided by the Greenland truce began to subside as a string of weak corporate reports hit the software and luxury sectors. Mirroring the US tech trend, Germany's software giant SAP plunged 16% on 29 January, marking its worst single-day drop in years after cloud backlog signals disappointed analysts. This weighed heavily on the DAX as the "AI premium" faced a reality check. In contrast, the semiconductor giant ASML surged on bullish 2026 guidance fuelled by resilient AI infrastructure demand.

The luxury sector continued to struggle, with LVMH sinking 7.9% following a cautious Q4 report that highlighted broader challenges in consumption. In the banking sector, Deutsche Bank faced selling pressure amid news of police searches related to a legacy money-laundering probe, which hampered the broader STOXX Banks index.

Throughout this period, the UK market proved more resilient, benefiting from its heavy weighting in "Old Economy" cyclicals and miners which acted as a natural hedge against the tech-led volatility seen elsewhere.

## Rest of the world

Emerging Markets led last week, supported by a rotation into hard assets and a continued "quiet quitting" of US dollar-denominated assets. As the trade rift over Greenland eroded trust in the dollar's stability, central banks and institutional investors rotated heavily into precious metals as a hedge against potential inflationary tariffs. This momentum saw Gold breach \$5,500/oz and Silver approach \$120/oz, driving record inflows into commodity-exporting economies and gold miners in China and South Africa. However, we note that this trend faced a sharp correction over the weekend following the announcement of the new Fed Chair.

Asian markets were further supported by favourable policy decisions in China. The ending of the "three red lines" policy, which removed strict debt-ratio caps for developers, effectively signalled the end of a five-year liquidity squeeze. This sparked a relief rally across the real estate and banking sectors. Furthermore, new regulatory guidance aimed at ending "vicious price competition" among internet platforms allowed Chinese tech giants to outperform the broader regional index, providing a robust finish to the month.

# 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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