

Market Review – January 2026

Geopolitical volume increases

The start of 2026 has been marked by a clear rise in geopolitical headlines and risks, including US military action in Venezuela. US President Trump has also threatened action against Iran, attempted to annex Greenland, and proposed new tariffs on eight European allies.

Domestically Trump flagged a suite of interventionist economic policies aimed at boosting “affordability”, including a proposal to ban institutions from purchasing single family homes, exerting pressure on Fannie Mae and Freddie Mac to expand mortgage debt purchases to push borrowing costs lower, and a proposed 10% cap on credit card interest rates.

Except for the threat of tariffs, global sharemarkets have largely ignored the geopolitical events of January 2026. Other asset classes, such as a higher oil price, weaker US dollar, and rising commodity prices, particularly gold and silver, were more sensitive to events in January.

Meanwhile, Trump's nomination of Kevin Warsh as US Federal Reserve (Fed) Chairman sparked a reversal in some market trends. Warsh's nomination triggered a steep rise in the US dollar and significant declines in gold and silver prices. After rising as much as 65% during the month, silver fell sharply on the final trading day. Despite this pullback, it ended January up 20% and trading near historical highs.



Source: Bloomberg, Shaw and Partners

Kevin Warsh is considered a credible choice for the Fed Chair. His nomination signalled tighter control over inflation than previously expected and reinforced market confidence in Fed independence for the time being, reducing expectations for aggressive interest rate cuts. This supported a stronger US dollar while undercutting the rationale for holding non yielding assets like gold and silver.

International Shares

At the index level, global sharemarkets rose 2.5% in January 2026. Emerging markets, Europe and Japan were among the better performing regions supported by higher commodity prices, expectations of increased government spending, and a global rotation of capital away from the US. In New Zealand dollar terms, global sharemarkets declined -1.8%, reflecting the appreciation of the New Zealand dollar. The New Zealand dollar strengthened due to stronger domestic economic and inflation data. This appreciation also reflected weakness in the US dollar over January (despite the rebound on Warsh's appointment), driven by persistent US inflation, heightened geopolitical uncertainty, and the gradual diversification of central bank reserves away from the US dollar.

Against a background of heightened geopolitical headlines, the US fourth-quarter 2025 corporate earnings season commenced. Although largely absent from the headlines, the earnings season focused on large technology companies and on the themes that had dominated attention last year.

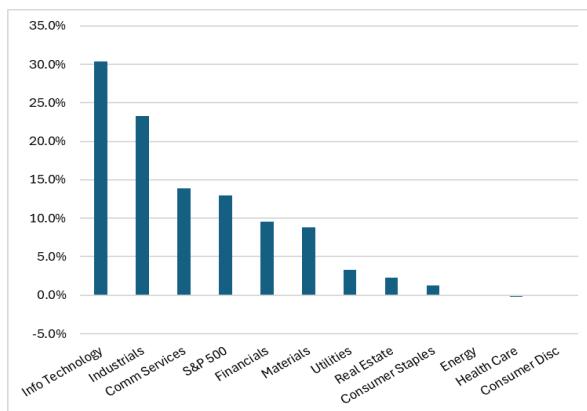
These included circular financing arrangements related to Artificial Intelligence, the increasing use of leverage, limited visibility on the monetisation of the unprecedented levels of capital expenditure, and expectations of further capital spending.

The earnings results amongst the large technology companies were mixed. Microsoft fell 12% following its earnings announcements over concerns of rising investment spending, slower growth in its cloud computing business, and how long it might take for the tech giant to see a payoff from their massive investment programme. In contrast, Meta got a more positive investor reception, despite flagging higher than expected capex for 2026. Meta beat earnings forecasts and the markets concern over higher levels of investments were eased by the company's ability to fund this spend from a highly profitable core business.

Overall, the earnings season has been positive. So far 59% of companies in the S&P 500 have reported actual results for fourth quarter of 2025. Of these companies, 76% have reported actual earning above estimates. The index is on track for 13% year-on-year growth for the fourth quarter. This will mark the fifth consecutive quarter of double-digit year-on-year earnings growth for the index.

Encouragingly, in a broadening of market earnings growth, nine of eleven sectors show positive earnings growth for the fourth quarter, led by information technology (+30%).

S&P 500 fourth quarter 2025 earnings growth (year-on-year)



Source: FactSet, Shaw and Partners

Australasian Shares

New Zealand's sharemarket fell -0.9% amid higher longer-term interest rates. There were limited company updates ahead of the upcoming February corporate earnings season. As a result, stock-specific events drove relative performance. Among the top-performing companies were Tower (+6.5%), Turners Automotive Group (5.1%), and Port of Tauranga (3.9%). Vista Group (-28.5%), Gentrack (-9.4%), and a2 Milk Company (-8.4%) were among the worst-performing companies in January. A2 Milk declined following Chinese data that showed a sharper-than-expected drop in births. Vista and Gentrack weakened amid negative sentiment from a global sell-off in software stocks, reflecting concerns about AI disruptions to businesses models and raising questions around valuations, pricing power, and margin sustainability.

The global software sell-off also negatively affected several Australian companies, including Life360 (-18.2%), Xero (-17.8%), and Wisetech (-15.3%). CAR Group (-10.3%) and Seek (-9.3%) also fell heavily on fears AI will disrupt their business models.

The Australian sharemarket rose 1.8% with strength in the energy and materials sectors pushing the market higher. Higher commodity prices boosted shares in gold miner Newmont (15.4%), diversified mining company BHP (11.2%), and oil and gas producer Woodside Energy (7.5%).

Fixed income and cash markets

The Bloomberg Global Aggregate Bond Index (New Zealand dollar hedged) rose slightly by 0.1%. In aggregate, global longer-term interest rates have traded sideways, caught between the rising geopolitical risks, which places downward pressure on interest rates, and increased government spending, which places upward pressure on interest rates. New Zealand's fixed income market fell -0.3% on improving domestic economic data and higher-than-expected inflation.

New Zealand's economy rebounded 1.1% in the third quarter of 2025, reversing the previous quarter's decline. Meanwhile, forward-looking business survey data indicate increasing momentum heading into the new year. Manufacturing activity rose to its highest level in four years, signalling a rebound in production and new orders, while the services sector activity increased sharply. While challenges remain, the breadth of improvement across these surveys supports a cautiously optimistic outlook for the New Zealand economy.

A notable trend within the surveys has been a rise in business intentions to increase prices. This comes at a time when inflation in the final quarter of 2025 exceeded Reserve Bank of New Zealand (RBNZ) expectations, rising 0.6% for the quarter compared to the RBNZ's forecast of 0.2%. Annual inflation increased to 3.1%, outside the RBNZ's target range of 1.0%–3.0% and above its forecast of 2.7%.

The recent economic data has brought forward market expectations for the timing of interest rate hikes by the RBNZ, from early 2027 to late 2026.

Conclusion

2026 has begun with an unusually high level of geopolitical risk. While politics is likely to continue to dominate headlines and remain a source of market volatility, the upcoming US midterm elections may prompt President Trump to place greater emphasis on domestic issues.

As the year progresses, solid global economic growth, rising corporate profits, and Fed rate cuts are expected to come into focus and support global sharemarkets. Nonetheless, given current elevated US valuations, periods of market weakness and some volatility would not be unexpected, warranting a degree of caution.

Financial markets in New Zealand and Australia appear well positioned relative to global peers. In New Zealand, the local economy is showing encouraging signs of improvement, which should support corporate earnings growth. The Australian economy remains resilient.

However, returns from cash and fixed income are likely to remain low, reflecting the interest rate reductions undertaken by the RBNZ and the risk longer-term interest rates may rise given an improving domestic economy and increased government spending globally.

We continue to encourage investors to focus on their longer-term goals, remain patient during short-term market fluctuations, and maintain a portfolio aligned with their objectives and risk tolerance.

Indices for Key Markets

As at 31 January 2026	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	5 Years p.a.
S&P/NZX 50 Index	-0.9%	-0.8%	5.1%	4.1%	4.7%	1.2%
S&P/ASX 200 Index (AUD)	1.8%	0.4%	3.1%	7.4%	9.8%	10.2%
MSCI ACWI Index (Local Currency)	2.5%	3.3%	12.2%	18.8%	19.0%	12.8%
MSCI ACWI Index (NZD)	-1.8%	-1.4%	10.4%	14.7%	21.8%	15.9%
S&P/NZX 90 Day bank bill Total Return	0.2%	0.6%	1.5%	3.4%	4.8%	3.5%

Additional information & disclaimer: This report is for information purposes only. It does not consider your investment needs or personal circumstances, so it is not intended to be viewed as personalised investment or financial advice. If you require financial advice, you should always speak to your Thorner Investment Services Ltd financial adviser. The price, value and income derived from investments may fluctuate because values can go down as well as up and investors may get back less than originally invested. Past performance is not indicative of future results and no representation or warranty, express or implied, is made regarding future performance. This report has been prepared from published information and other sources believed to be reliable and accurate. While every effort has been made to ensure accuracy Thorner Investment Services Ltd, Shaw & Partners nor any person involved in this publication accept any liability for any errors or omissions nor accepts any liability for loss or damage as a result of any reliance on the information presented. Disclosure statements are available on request and free of charge.