

January Market Overview

January 2026 got the year off to a constructive start notwithstanding some increases in volatility, following on from a positive finish to 2025. Global equities rallied but the major change was a shift in leadership beyond US mega-cap technology into international markets such as UK, Europe and Emerging Markets. Smaller companies and more cyclical sectors were also leaders as investors favoured trades outside of the main AI investment theme which has been such a strong driver of markets over previous years. Bond markets continued to remain subdued as prices edged lower in government markets with corporate sectors once again delivering some outperformance.

Overall, the market was positive but under the surface January delivered some meaningful leadership changes reminding investors that diversification in positions, factors and geographic areas remain central to navigating a market which continues to evolve at breakneck speed.

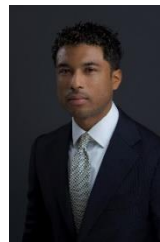
Portfolio Positioning

The Enhanced Passive range saw gains coming from various elements of the global equity spectrum over just the US market as has been the case over previous market cycles. Gains were positive over gold bullion, European stocks, Japanese stocks, Emerging Market stocks and, in a smaller margin, global bonds with a focus on corporate bonds which continued to deliver value over sovereigns as spreads narrowed further. Gilts also had a positive net effect on performance as rate cuts begun to get priced into the UK market. Detractors over January came from unhedged US stocks along with US treasuries along with some enhanced global investments with a closer correlation to US mega cap tech.

March Market Outlook

Looking forward, the market appears to remain content with taking on risk and moving higher. Largely this will be underpinned by positive economic growth numbers and stable inflation figures enabling investors to build conviction in the state of the market. However, the market is in a state of change in which high flying US Tech stocks now trail the more value orientated elements of the market. We see this trade continuing into the coming months as investors favor this rotation as the markets looks to other sectors for sustained performance. We also see investors continuing to move from the US into the likes of Emerging Markets, China and, with the election victory of Takaichi in Japan, we see further interest in Japanese stocks over the coming months. All in all we envisage a market willing to take on more risk but being more selective in where it takes it over just buying US tech stocks.

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