Monthly Market Snapshot

January 2026

The Monthly Market Snapshot publication provides commentary on the global economy and the performance of financial markets

Frontier Advisors

Market commentary

It was a turbulent start to 2026 as geopolitical tensions and shifting policy signals impacted sentiment. This included heightened uncertainty stemming from several major flashpoints, including the US military operation in Venezuela, renewed tensions involving Iran, and diplomatic friction between the US and NATO over Greenland. At the same time, global economic conditions entered the year on generally solid footing, supported by steady activity across economies and ongoing technological investment, although inflation pressures remain an issue.

Despite the uncertainty and bouts of risk aversion, global equities overall produced a positive start to the year, helped by broader market performance, beyond the largest US technology companies. US equities were mixed, with large-cap technology stocks lagging after a long period of dominance. Value-oriented segments tended to fare better across several regions. European stocks benefitted moderately from some stability in economic indicators, and the UK market produced moderate gains, aided by improved business sentiment. Japanese equities stood out in January, with strong performance supported by ongoing structural reforms and on expectations that fiscal spending will be expanded.

Australian equities recorded a positive month, with broad-based gains across the market. While the domestic economic backdrop showed signs of resilience, market performance was helped by improving global risk appetite. However, some volatility lingered due to shifting expectations around global trade and commodity demand. The Resources sector produced particularly large returns, benefiting from strong rises in commodity prices, specifically crude oil and gold, linked to geopolitical tensions and renewed demand expectations.

Emerging market equities delivered a notably strong month, benefiting from weakness in the US dollar and improving momentum. Despite the weakness in the US Technology sector, Korea and Taiwan equities led the market, and Brazil was a strong performer, withstanding volatility following the political disruption in Venezuela. However, India and Indonesia were negative for the month.

Bond markets experienced soft performance globally as long-term yields drifted higher in several major economies. Japanese government bond yields moved upward as the market reassessed the fiscal debt, inflation and monetary policy outlook following a snap election called by Prime Minister Sanae Takaichi.

US yields edged higher following the Federal Reserve’s decision to leave interest rates unchanged, citing an improved economic outlook. Australian yields were also slightly higher as the latest inflation data was stronger than expected, increasing the probability that the RBA will raise rates at its meeting in February. European yields were somewhat more stable, reflecting more modest inflation pressure.

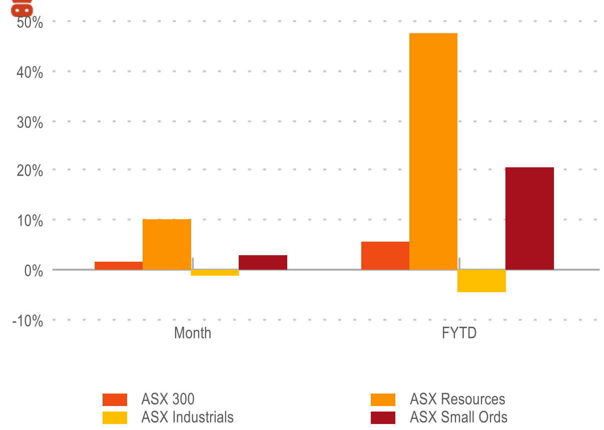
Corporate bonds produced a positive month, supported by narrowing credit spreads and steady investor demand. However, geopolitical events and central-bank caution contributed to some volatility in credit markets, particularly in energy sensitive sectors.

Currency markets had pronounced movements during the month. The US dollar weakened significantly, reaching a multi-year low before rebounding late in the month as geopolitical uncertainty and shifts in Federal Reserve leadership expectations influenced trading. The Japanese yen experienced sharp swings due to speculation around policy intervention and fiscal pressures. The Australian dollar appreciated against each of the major currencies, driven by increased expectation of the RBA raising rates.

Global listed property and infrastructure recorded moderate gains, supported by stable demand for income-producing assets, although sensitivity to rising bond yields remained a headwind in some markets. While Australian listed property and infrastructure returns were negatively impacted by the expectations of interest rates rising.

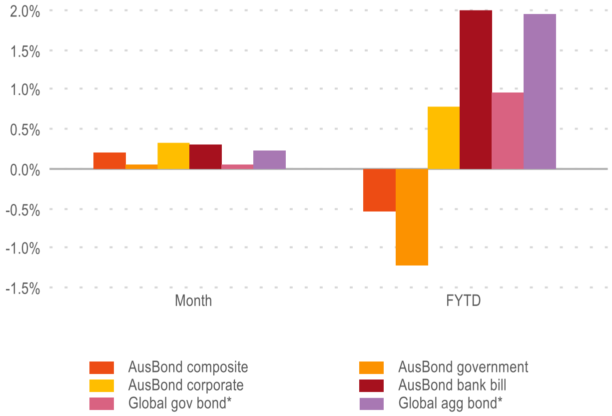
January 2026

Australian equities



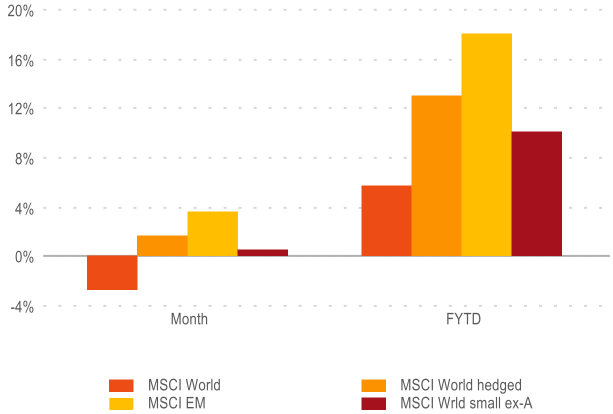
Source: LSEG Datastream

Fixed income



Source: LSEG Datastream

International equities ($A)



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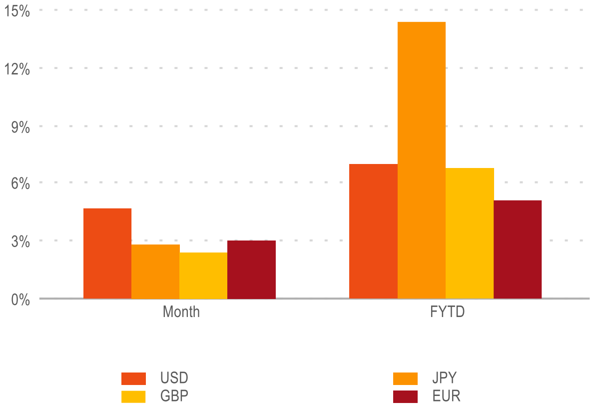
Australian dollar



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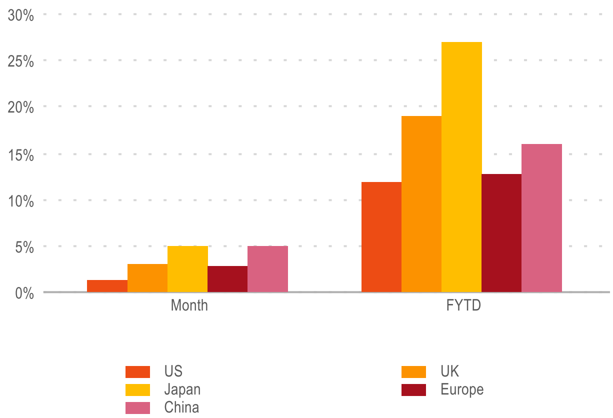
International equities



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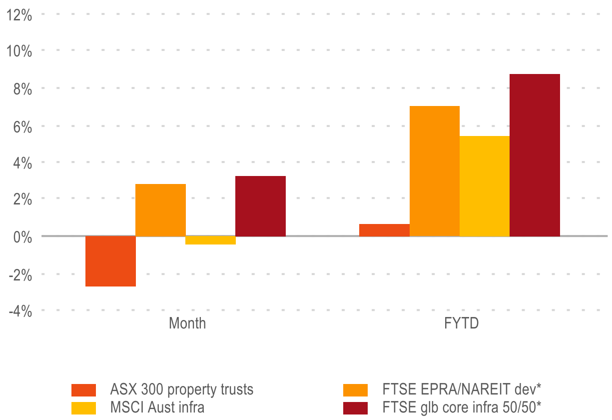
Real assets



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Level 17, 130 Lonsdale Street

Melbourne, Victoria 3000

Level 21, 83 Clarence Street,

Sydney, NSW 2000

Tel: +61 3 8648 4300

www.frontieradvisors.com.au

@frontier_adv