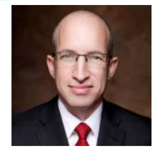
WEEKLY MARKET RECAP

2 February 2026

Summary for the week ending on Friday, 30 January 2026

GLOBAL INVESTMENT SOLUTIONS EMEA



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THE ECONOMIC AND POLITICAL BACKDROP

The US

After ticking up modestly in December, the Conference Board's gauge of consumer confidence in January hit its lowest level since May 2014, tumbling more than expected to 84.5 from the previous month's reading of 94.2. The survey results showed that US consumers' views on the economy and the labour market weakened.

Initial US jobless claims came in at 209,000 for the week ended 24 January—above the consensus estimate but a slight step down from the 210,000 applications for unemployment benefits received in the previous week. Continuing claims, meanwhile, fell to about 1.83 million in the week ended 17 January, the lowest level since September 2024.

A Commerce Department report delayed by the US government shutdown late last year showed that orders for durable goods increased 5.3% sequentially in November, after declining 2.1% in October. The value of core capital goods orders, a measure that excludes big-ticket items such as aircraft and military hardware, rose 0.7% over the same period.

Producer prices increased 0.5% month over month (MoM) in December, exceeding expectations for a 0.2% uptick. Service prices, which rose 0.7% during the period, drove this upside. Roughly two-thirds of the increase in service prices stemmed from a 1.7% increase in margins for wholesalers and retailers.

After three consecutive rate cuts, the Federal Reserve left the benchmark fed funds rate unchanged at 3.50%-3.75%, in line with market expectations. A 10–2 vote underpinned the decision, with the two dissenting policymakers favouring a 25bps reduction.

The central bank's accompanying policy statement sounded a more positive note on the economy, commenting that activity "has been expanding at a solid pace." It also described inflation as "somewhat elevated" and noted that while job growth has remained low, the unemployment rate has shown signs of stabilising. In the subsequent press conference, Fed Chair Jerome Powell asserted that, with the economy's strength, rates did not appear to be "significantly restrictive." Powell indicated that the Fed would make its interest rate decisions on a meeting-by-meeting basis.

On Friday, President Donald Trump announced that he had nominated Kevin Warsh, a former Fed governor, to head the US central bank. If confirmed by the Senate, Warsh would succeed Chair Powell when the latter's term expires in May.

Europe

The eurozone economy grew 1.5% in 2025, compared with 0.9% in 2024, and surpassed the European Commission's (EC) forecast for 1.3%. Stronger investment, household consumption, and exports boosted output, overcoming significant economic and political uncertainty. In the fourth quarter, gross domestic product (GDP) expanded 0.3% sequentially—slightly better than expected and matching the prior period's pace of growth. Accelerating growth in Germany, Spain, and Italy helped to offset slow growth in France.

Consumer and business sentiment was more upbeat at the start of 2026, with the EC's sentiment indicator rising to 98.2 in January, just below the long-term average. Confidence improved across all sectors except construction, which held steady. Sentiment in France strengthened markedly, likely due to subsiding political tensions following the adoption of the 2026 budget.

The German government lowered its economic growth forecast for this year to 1.0% from 1.3%. This is still significantly better than the 0.2% rate achieved in 2025. Projected GDP growth in 2027 was reduced by a tick to 1.3% from 1.4%. Economy Minister Katherina Reiche said that the assessment was "slightly more cautious" because large economic and fiscal policy measures were taking longer to materialise than previously assumed.

In Sweden, the Riksbank kept its policy interest rate unchanged at 1.75%, as widely expected, and reiterated that policy would stay at this level "for some time to come"—through at least 2026.

The UK

British lenders approved 61,013 loans for house purchases in December, down from 64,072 in November and the smallest number in 18 months, Bank of England data showed. Economists polled by Reuters had expected a small rise.

Japan

The yen has fluctuated sharply amid political uncertainty following Takaichi's snap election announcement and discussions of unfunded tax cuts. Speculation about government intervention in the foreign exchange markets led the yen to surge against the greenback. Although no direct intervention was confirmed, Japanese authorities provided verbal guidance, with Takaichi stating that the government would take all necessary measures to address speculative and highly abnormal movements. Top currency diplomat Atsushi Mimura said that Japan's government would maintain close coordination with the US on foreign exchange.

The yield on the 10-year Japanese government bond decreased to 2.24% from 2.25% at the end of the previous week. A weaker-than-expected consumer inflation print prompted some investors to temper expectations about when the Bank of Japan, which raised short-term interest rates in late December, might raise rates again. The Tokyo-area core consumer price index rose 2.0% year over year (YoY) in January, short of the consensus forecast of 2.2% and slowing from 2.3% in December. The slowdown was attributed primarily to easing price pressure on food and the effects of gasoline subsidies.

China

Thirteen of 20 Chinese provinces that have publicly released their 2026 economic targets set lower GDP growth targets than last year, Bloomberg reported, citing local government work reports. Most provinces reduced their GDP targets by 0.5% or shifted to a range with a lower bound, Bloomberg reported. Provinces that made the change include the economically vital coastal provinces Guangdong and Zhejiang, home to technology bellwether Alibaba and other leading companies.

Australia

The preferred inflation measure of the Reserve Bank of Australia (RBA) – the quarterly trimmed mean CPI – rose 0.9% quarter-on-quarter (QoQ), corresponding to a YoY rate of 3.35%, a touch above the RBA's forecast of 0.8% QoQ. Australian business conditions rebounded to 9 in December, slightly above their long-run average level. The increase was driven by improvements in the trading and profitability of sub-components. Total private-sector credit growth increased to 0.8% MoM in December, above the expectation of 0.6% MoM. YoY growth accelerated to 7.7%, its fastest pace of growth since December 2022. The pick-up in growth reflected a broad-based acceleration across housing credit (0.7% MoM), business credit (1.0% MoM) and personal credit (0.5% MoM).

Canada

Canadian markets are facing significant headwinds from both political uncertainty and economic weakness. Canadian stocks experienced their worst day since April's tariff turmoil, with the S&P/TSX Composite falling 3.3% on Friday, driven by a rout in precious metals and mining stocks. Trade tensions with the US intensified as President Trump threatened to impose a 50% tariff on Canadian aircraft and decertify all new planes made in Canada. The Bank of Canada held its policy rate steady at 2.25% on Wednesday amid heightened uncertainty from US trade policy, with Governor Tiff Macklem warning that the rules-based trade relationship with the US is "over". On the economic front, Canada's GDP flatlined in November with only marginal growth expected in December, leaving the fourth quarter in slight contraction as manufacturing and wholesale sectors struggled to adapt to trade worries.

EQUITY MARKETS

Last week, the MSCI All Country World Index (MSCI ACWI) rose 1.2% (3.6% YTD).

The US S&P 500 Index finished the week up 0.3% (1.4% YTD), topping 7,000 but ultimately retreating from its new intraday high. Within the S&P 500, the communication services and energy sectors led the way. Health care stocks pulled back the most. Value stocks outpaced their growth counterparts for the fifth straight week, while small-cap stocks underperformed large-cap stocks. The Russell 1000 Growth Index returned -0.5% (-1.5% YTD), the Russell 1000 Value Index 0.6% (4.5% YTD), and the Russell 2000 Index -2.1% (5.4% YTD). The technology-heavy Nasdaq Composite pulled back -0.2% (1.0% YTD).

In Europe, the MSCI Europe ex-UK Index declined 0.4% (2.2% YTD), as concerns about trade and geopolitics outweighed earnings optimism. Major stock indexes were mixed. Germany’s DAX Index lost -1.5% (0.2% YTD), France’s CAC 40 Index shed -0.2% (-0.3% YTD), and Italy’s FTSE MIB Index gained 1.6% (1.6% YTD). Switzerland’s SMI put on 0.3% (-0.6% YTD). The euro appreciated against the US dollar, closing the week at USD 1.19 for EUR, up from 1.18.

The FTSE 100 Index in the UK was up 0.8% (3.0% YTD), but the FTSE 250 Index inched lower -0.2% (3.7% YTD). The British pound strengthened against the US dollar, closing the week at USD 1.37 for GBP, up from 1.36.

Japan’s stock markets ended the week lower. The TOPIX Index lost -1.7% (4.6% YTD), and the TOPIX Small Index fell by -2.4% (4.1% YTD). The technology segment was weighed down by concerns about the sustainability of massive artificial intelligence spending, while yen strength dampened the earnings prospects of Japan’s export-oriented companies. Investors looked ahead to Japan’s lower house election on 8 February, with several major media outlets converging around the message that Prime Minister Sanae Takaichi’s Liberal Democratic Party could be on track to win a majority of seats without a coalition partner.

In Australia, the S&P/ASX 200 Index edged up 0.1% (1.8% YTD) on the back of higher commodity prices. Australian government bond short-term yields rose, with the curve modestly flattening. The Australian dollar strengthened 1.5% against the US dollar.

In Canada, the S&P/TSX Composite dropped -3.6% (0.8% YTD).

Emerging markets and other markets

The MSCI Emerging Markets Index rallied 3.6% (10.8% YTD), with markets in India, Taiwan, South Korea and Brazil contributing to the gains.

Mainland Chinese stock markets ended the week little changed. The onshore CSI 300 Index, the main onshore benchmark, added 0.1% (1.8% YTD), but the Shanghai Composite Index lost -0.4% (3.9% YTD). Hong Kong's benchmark Hang Seng Index rose 2.4% (6.9% YTD). The MSCI China Index, which primarily consists of offshore-listed stocks, gained 0.9% (5.1% YTD).

In Hungary, the National Bank of Hungary (NBH) held its regularly scheduled policy meeting. As was generally expected, central bank officials kept the base rate at 6.50%. The NBH also held the overnight collateralised lending rate—the upper limit of an interest rate “corridor” for the base rate—at 7.50%. In addition, the central bank kept the overnight deposit rate, which is the lower limit of that corridor, at 5.50%.

According to the post-meeting statement, policymakers continued to perceive a “duality” in the Hungarian economy. Retail sales continued to grow, but industrial and construction production declined in November. The unemployment rate remains low, but labour market tightness “has eased gradually in recent quarters.” In addition, policymakers expect growth to pick up, in part due to rising real wages and government measures to increase consumer income. However, they believe that “higher budgetary expenditure” will make it harder to reduce public debt.

Regarding inflation, policymakers noted that headline inflation fell to 3.3% and core inflation declined to 3.8% in December. They attribute the disinflationary trend to lower fuel and processed food prices and believe inflation may briefly fall below their 3.0% inflation target in early 2026 before rising toward the upper limit of their tolerance band. At present, they consider the inflation risks to be “balanced,” though they acknowledge uncertainty about how “repricing” at the start of the year could affect the inflation outlook. Ultimately, central bank officials decided to leave interest rates at current levels, deeming that maintaining tight monetary conditions is “warranted” in the current environment.

In Brazil, the central bank decided to keep its key interest rate, the Selic rate, at 15.00%. The decision, widely expected, was unanimous among policymakers.

In the post-meeting statement, policymakers noted that the global environment remains uncertain due to US economic policies and the US economic outlook. They also noted that heightened geopolitical tensions warrant caution from emerging markets.

Policymakers observed that domestic economic growth is moderating as expected and that the labour market remains resilient. Although various inflation measures have improved, they remain above the central bank’s target of 3.0%, with a tolerance range of 1.5% above and 1.5% below. The central bank’s inflation projection for the third quarter of 2027—which policymakers say is “currently the relevant horizon for monetary policy”—is 3.2%.

Central bank officials believe inflation risks are higher than usual but balanced across both upside and downside risks. Potential upside risks include a prolonged de-anchoring of inflation expectations, “resilience” of services inflation, and a combination of internal and external policies that could drive inflation, especially through currency depreciation. Potential downside risks include decelerating domestic growth, a steeper global slowdown, and lower commodity prices.

Policymakers indicated that if inflation trends continue to improve, their strategy of keeping monetary policy “at a contractionary level” to bring inflation down to the central bank’s target could enable “interest rate calibration” (i.e., rate cuts) starting at their next policy meeting. Policymakers asserted that their commitment to bringing inflation down to target requires “serenity regarding the pace and the magnitude” of rate cuts, suggesting that any easing of monetary policy is likely to be gradual and incremental.

FIXED INCOME MARKETS

Last week, the Bloomberg Global Aggregate Index (hedged to USD) added 0.2% (0.3% YTD), the Bloomberg Global High Yield Index (hedged to USD) was little changed (0.7% YTD), and the Bloomberg Emerging Markets Hard Currency Aggregate Index returned 0.4% (0.7% YTD).

Over the week, the 10-year Treasury yield rose by 1bp, ending at 4.24% from 4.23% (up 7bps YTD). The 2-year Treasury yield declined by -8bps, ending the week at 3.52% from 3.60% (up 5bps YTD).

Over the week, the 10-year German Bund yield decreased by -7bps, ending at 2.84% from 2.91% (down -1bp YTD). The 10-year UK gilt yield rose by 1bp, ending the week at 4.52% from 4.51% (up 4bps YTD).

YTD is year to date. bps is basis points. GDP is gross domestic product. YoY is year on year. MoM is month on month.

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