

UBP Weekly View

19 January 2026



UNION BANCAIRE PRIVÉE

Geopolitics dominating the headlines

Summary

Geopolitical tensions have intensified since the start of the year, spanning Venezuela, Greenland and Iran. At the same time, resource nationalism is on the rise, with major powers increasingly competing for control of strategically critical commodities. While this backdrop underpins gold, equity markets remained largely unscathed last week: small caps outperformed as earnings momentum broadens beyond the technology sector. This week, the Davos summit will shine more light on geopolitics, as concerns about Greenland are rising.

Market recap

| | Last Close (16.01.2026) | 1-Week Total Return | 1-Month Total Return | Year-to-Date Total Return |
|---------------------------|----------------------------|------------------------|-------------------------|------------------------------|
| S&P500 | 6 940 | -0.4% | 3.3% | 1.4% |
| NASDAQ Composite | 23 515 | -0.7% | 3.6% | 1.2% |
| STOXX Europe 600 | 614 | 0.8% | 6.0% | 3.7% |
| MSCI Japan | 2 248 | 4.3% | 8.7% | 7.6% |
| MSCI EM | 1 485 | 2.2% | 9.3% | 5.7% |
| US 10yr Yield | 4.2% | 6 bps | 7 bps | 6 bps |
| Gold (USD/oz) | 4 595 | 1.9% | 5.9% | 6.5% |
| Brent Crude Oil (USD/bbl) | 64 | 1.6% | 5.7% | 5.4% |

Source(s): Refinitiv

Beyond the numbers

Macroeconomics

US inflation declined slightly in December, down to 2.6% from 2.7%, but core inflation remained stable at 2.6%. Pressures on the price of goods due to tariffs remained limited, and energy prices declined over the month. Services were sustained (0.29% m/m; 3.0% y/y) due to renewed monthly pressures on rents. This report confirmed the improvement recorded in November and could provide additional reassurance to Fed members about the inflation pattern. US retail sales (November) were strong (0.6% m/m), with strength concentrated in typical holiday items, thus confirming resilient consumption. Elsewhere, indicators were better oriented in the manufacturing sector: industrial production was up by 0.4% m/m in December, with sentiment improving in the Empire State Manufacturing Survey and Philadelphia Fed Index.

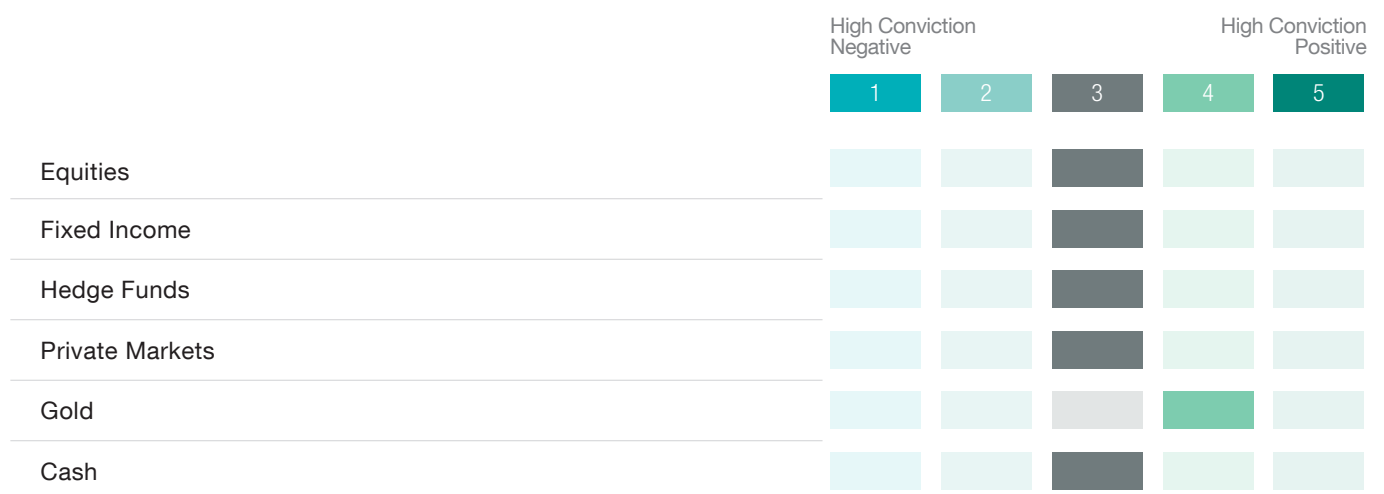
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In the eurozone, industrial activity was better oriented (0.7% m/m in November) thanks to a rebound in capital goods. Final inflation for December showed a decline from the previous month in Germany (2.2% y/y), France (0.7% y/y), and Spain (3.0% y/y), while it remained stable in Italy (1.2% y/y).

In China, Q4 GDP slowed to 4.5% y/y, but 2025 GDP growth reached 5.0% for the full year. Exports to Asia and exports of high-added-value products were the main contributors to growth. In December, retail sales remained weak (0.9% y/y), while production was up by 5.2% y/y thanks to autos and electronic goods.

This week, the focus will be on business sentiment, with flash PMIs to be published in the main developed countries. Several central banks will hold meetings: Norway, Indonesia, Malaysia, Turkey and Japan, but no change is expected in Japanese key rates. The Davos summit will shine more light on geopolitics, as concerns about Greenland are rising.

Asset allocation: strategic views as at January 2026



High Conviction Negative 1 2 | Baseline Allocation 3 | High Conviction Positive 4 5 | Previous view ● (no dot means no change)

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Equities

Global equities registered modest gains last week (MSCI ACWI +0.4%), held back by the US (S&P 500 -0.4%) and the global technology and communication services sectors (+0.2% and -1.1%, respectively). The latter two continued to lag behind cyclical/value areas of the market, such as real estate (+3.2%), energy (+3.0%), industrials (+2.6%), and materials (+2.3%), which remained in favour.

Small caps also outperformed mega caps (Russell 2000 +2.1% vs. Vanguard Mega Cap ETF -0.6%, Magnificent 7 -2.1%), as the prospect of broadening earnings growth outside the technology sector led investors to continue shifting their portfolio exposures.

However, the Q4 earnings season could prove to be a reality check for these expectations or a case of 'travel and arrive', as seen with major US banks. Despite solid Q4 results, the sector ended the week lower (S&P 500 Financials -2.3%), with valuations (forward P/E) already sitting above the 10-year trading range.

In this regard, the recent technology underperformance could offer a better risk/reward profile, with valuations having moved lower and the latest reports from semiconductor actors showing no signs of a slowdown in AI-related demand. Overall, expectations are calling for +8.2% earnings growth (S&P 500) in Q4, marking the tenth consecutive quarter of expansion.

The recent technology underperformance could offer a better risk/reward profile

Fixed income

Last week both Treasuries (-0.1%) and investment-grade bonds (0.0%) delivered muted performances, while the riskier segments performed well on the back of spread compression. High-yield bonds, AT1s, and emerging market debt posted returns of 0.5%, 0.6%, and 0.3%, respectively.

Yields on 10-year Treasuries moved above the 3.95–4.20% range they have been trading in since September. The main culprit was the game of musical chairs about who will replace Powell at the Fed in May. Trump commented he would like Kevin Hassett to stay at the White House (as Director of the National Economic Council); Hassett, a known dove, was seen by many as the front-runner to replace Powell at the Fed in May, with Kevin Warsh now seen as most likely. Hassett is seen as more dovish than Warsh, hence yields moved up 5 bps on Friday. Rick Rieder, BlackRock's CIO for Global Fixed Income, is now seen as the second favourite following reports that Trump interviewed him on Thursday (the day before Hassett was sidelined) and news of him being known as a dove, as he has advocated for aggressive rate cuts to support economic growth.

This morning, European spreads ticked up as Trump said he would be imposing 10% tariffs on those European countries (Denmark, Finland, France, Germany, the Netherlands, Norway, Sweden, and the UK) that publicly

The riskier fixed-income segments performed well on the back of spread compression

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supported Denmark's sovereignty over Greenland and participated in recent military exercises there, with tariffs set to increase to 25% in June if a deal had not been reached. European high-yield CDS jumped 10 bps to 252, having already given up half the gain in the first hours of trading.

Last, investment-grade issuance should remain elevated, with Bank of America projecting USD 140–300 billion in annual bond sales over the coming three years by tech firms to fund AI development (Amazon, Google, Meta, Microsoft, and Oracle borrowed USD 121 billion in 2025, after having averaged USD 28 billion per year from 2020 to 2024), boosting the investment-grade credit supply. Goldman Sachs was also in the news after it issued USD 16 billion in bonds on Tuesday, the largest ever by a Wall Street bank.

Forex & Commodities

Last week the USD edged higher against most G10 currencies, despite US CPI data printing in line with expectations. The main event for the USD this week will be the publication of PCE data, which are not expected to be market-moving. In any case, the data are likely to be overshadowed by political events, with potential tariff discussions between the US and the eurozone taking centre stage. We note that overall levels of FX volatility remain subdued, with precious metals making gains on the back of the geopolitical developments surrounding Greenland.

It is a big week for the GBP with the publication of unemployment data, inflation data and PMI data. If the inflation data disappoint, it may result in an increase in expectations of the Bank of England cutting its rates at its forthcoming February meeting; this would weigh on GBP exchange rates in the near term.

Gold surged to yet another all-time high at levels of just below USD 4,700 per oz following political developments over the weekend. We believe that we have entered a period of resource nationalism, meaning that the major powers are now in direct competition for the control of strategically important commodities. This gives continued upside risks for gold, which is one of the few naturally convex/anti-fragile assets.

Gold is unlikely to have a huge reaction to US inflation data this week, given the wider geopolitical issues mentioned above.

Precious metals
are advancing
amid geopolitical
developments in
Greenland

Contributors

Publisher

Union Bancaire Privée, UBP SA

Lead Authors

Michaël Lok, Group CIO and Co-CEO Asset Management

Nicolas Laroche, Global Head of Advisory & Asset Allocation

Authors

Patrice Gautry, Global head of Economic & Thematic Research

Moshmi Kamdar, Head of Equity Advisory

Filipe Alves da Silva, Head of Fixed Income Advisory & Strategy

Peter Kinsella, Global Head of Forex Strategy

Project Management

Investment Marketing

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