Oxonian Capital

Monthly Market Update

January 2026

MARKET VIEWS

EQUITIES: December saw a modest cooling in U.S. equity markets as the traditional "Santa Rally" was tempered by some profit-taking in the tech sector. The S&P 500 index rose +0.1% in December, ending 2025 with a respectable +17.9% return. However, the performance story of the year was the outperformance of international markets. The MSCI All Country World ex-USA Index rose +3% in December, ending 2025 with a +32.4% gain in Dollar terms. Given the column inches commanded by "big-tech", it is easy to miss the returns being generated elsewhere. In Europe, the STOXX 600 rose +2.8% in December, ending the year +20.7%, with investors favouring banking and industrial stocks. The MSCI Emerging Markets Index rose +3% in December, capping a +34.3% 2025 return. Japan's Nikkei had a quieter month (+0.3%) in December but ended +28.6% for the year.

Finally, the FTSE 100 started 2026 in strong form, rising above 10,000 for the first time. The index rose +2.3% in December, resulting in a strong +25.7% annual return, its best annual performance since 2009. Our chart of the month covers these indices, and more, in both local and GBP terms, to give some perspective for the U.K. based investor.

FX AND BONDS: The U.S. Dollar Index (DXY) continued its decline, falling -1.1% in December to end the year down -9.4%, driven by interest rate differentials globally and a shift toward non-dollar reserves. This trend also benefited the Pound, which rose +1.8% in December to finish 2025 at $1.35 (up +7.2% during 2025). Sterling fell -5.5% against the Euro but rose +7.1% against the Yen with interest rate differentials still significant, despite interest rate increases latterly in Japan.

In bonds, the U.S. 10-year Treasury yield ended the year at 4.11%, while in the UK the 10-year Gilt closed at 4.48%. Corporate bonds provided healthy annual returns, with Sterling investment grade rising +7.3% and Dollar investment grade gaining +7.7% in 2025. While providing balance in many portfolios, bonds ultimately lagged the significant returns seen elsewhere.

ALTERNATIVES: Gold was a standout performer in 2025 gaining +1.9% in December, to close at $4,325, a historic +64.6% annual return. This was fuelled by central bank diversification and gold's standing as a geopolitical hedge. Silver outperformed gold though, rising a staggering +26.8% in December, to finish the year up +148%. Supply constraints and industrial uses, alongside use as a hedge, have all helped. Lastly Copper rose by +9.6% in December and +41.1% in 2025, again with industrial use key.

Oil had a challenging year. Whilst supply and demand both rose in December, the latter was less than expected leading to a fall of -3.7% in Brent Crude on the month, and a decline of -18.5% for the year. Commercial property (using the FTSE NAREIT Index as a proxy) was weak throughout 2025, falling by -1.4%, with December particularly weak (-3.4%). Expectations of interest rates settling higher for longer are continuing to prove a challenge for sentiment.

MACRO VIEWS

POLITICS: December was relatively quiet on the geopolitical front, against a backdrop of a somewhat hectic-at-times 2025. Trade talks continue, with markets also grappling with rising tension in the Middle East and South America. There were continued talks seeking a breakthrough in Ukraine, however with limited progress made. The same can be said for the Israel-Palestine conflict. There have also been significant protests in Iran over the past few weeks, with the U.S. showing increased interest there. The meeting between Russian president Putin and India's premier, Modi, also made headlines, but with few concrete announcements.

In recent days, the arrest of Nicolás Maduro, during a military raid in Venezuela made headlines, but followed rising tensions over the preceding months, with the U.S. having built up a more significant presence, combined with the naval blockade announced in December, seizing sanctioned oil tankers. Clearly the future in Venezuela is unclear, with the U.S. president stating *"We are going to run the country"* until such time as a safe handover can occur. How this is viewed by other major global powers and feeds through, if at all, to other conflicts, and potential conflicts, remains to be seen.

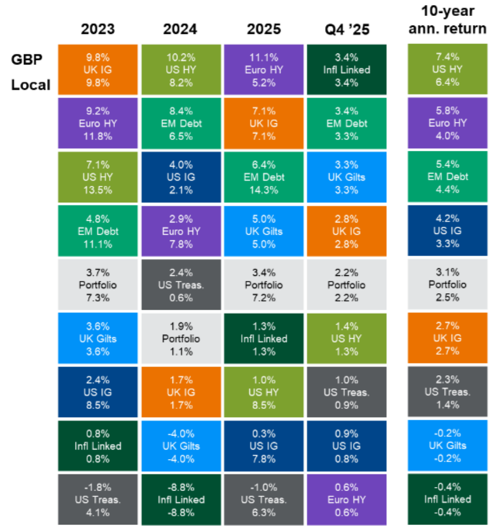
MONETARY POLICY: The Federal Reserve delivered a widely expected 0.25% cut to interest rates in December, bringing the benchmark rate to 3.50% – 3.75%. However, the minutes revealed a divide in members' views, with concern 2026 could see a second wave of inflation. Looking ahead, the market is currently pricing in a further 0.75% – 1% of cuts in 2026, although this remains dependent on inflation risks waning. The Bank of England followed suit with a 0.25% cut in rates, to 3.75%, maintaining a cautious "wait-and-see" stance regarding inflation. The latest European Central Bank meeting left interest rates unchanged. Some forecasts see the potential for rises from the ECB in late-2026, or as we move into 2027. Finally, Japan increased rates again, by 0.25%, to 0.75% – the highest rate for 30 years.

LOOKING TO 2026: We will soon start to get data that gives a clearer picture of the U.S. economy, following the government shutdown in October, as well as news of a new Chairperson of the Federal Reserve, who will take over in May. The Supreme Court will also announce their decision on the legality of President Trump's tariffs at some point, expected as early as January. Of note politically, 2026 will be only the second year since 2000 with no scheduled major elections in G7 countries, albeit that is unlikely to make the political picture any clearer given the geopolitical events already covered in this note. Talks will continue in the Middle East and Ukraine, and we expect to see further announcements on tariffs throughout the year as U.S. talks with China continue. The U.S. economy is expected to re-accelerate as trade uncertainty fades, households benefit from tax cuts, and growth broadens beyond AI capex. Inflation is also normalising across major economies, though still not back to pre-pandemic levels. As a result, central banks remain cautious.

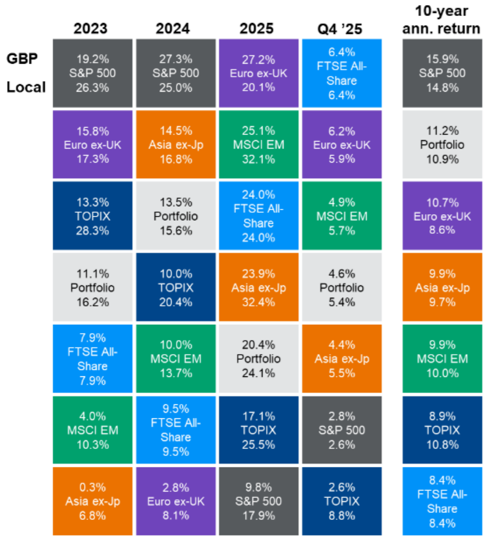
CHART OF THE MONTH

Perhaps an obvious place to start the year is a reflection on last year's returns and how they look to a UK-based (GBP) investor. Of note , the impact of currency in 2025 was more significant than in the last few years shown. For example, the +17.9% return for the S&P 500 index in 2025 in local currency, equates to 'just' 9.8% in GBP terms, an underperformance of almost 15% versus the domestic market (FTSE All-Share in this example) – just the 3rd time in 9 years that has occurred and on an annualised basis the S&P 500 has delivered +15.9% in GBP over ten years, versus 8.4% from the FTSE All-Share.

Global fixed income returns



World stock market returns



Sources: J.P. Morgan Asset Management. Original charts are available at: Guide to the Markets - UK. Data as of 31 December 2025.

MARKET DATA

Index	Value	%1m	%3m	%6m	%1yr	%3yr	%5yr
FTSE 100	9,931	2.3	6.9	14.9	25.7	48.9	84.7
FTSE All-Share	5,350	2.2	6.4	13.7	24.0	46.5	73.9
FTSE AIM	766.39	1.6	-2.2	-0.6	6.5	-7.8	-33.8
FTSE World (ex-UK)	775.05	-0.6	3.2	13.4	14.4	59.5	76.1
S&P500	6,846	0.1	2.7	11.0	17.9	86.1	96.2
Dow Jones	48,063	0.7	3.6	9.0	13.0	45.0	57.0
Nasdaq 100	25,250	-0.5	2.7	11.3	21.2	131.0	95.9
S&P Smallcap 600	1,468	-0.3	1.3	10.0	4.2	26.8	31.2
Eurostoxx 50	5,791	2.2	4.7	9.2	18.3	52.7	62.2
Nikkei	50,340	0.3	12.1	24.3	28.6	92.9	83.4
Hang Seng	25,631	-0.6	-4.6	6.5	27.8	29.6	-5.9
Shanghai (SSE)	3,969	2.3	2.7	15.2	21.7	28.5	14.3
FTSE Government All-Stocks	130.41	0.3	3.3	2.5	5.0	5.3	-23.9
GBP/USD	1.3448	1.8	0.2	-2.1	7.7	11.2	-1.6
GBP/EUR	1.1461	0.5	0.1	-1.6	-5.1	1.5	2.1
Gold $	432,544	2.5	11.9	30.6	64.6	137.0	128.0

Source: Alpha: data as at 01-01-26.

Get in touch

If you are interested in using a discretionary investment manager or are contemplating switching from your existing manager, we would be delighted to hear from you. We are passionate about what we do and unincumbered by any large corporate mindset, free to act independently in your best interest.

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