Monthly market commentary

Janu-worries

United States

January has been an action-packed start to the year with geopolitical tensions back in the spotlight, a new US earnings season kicking-off, tech stock volatility amidst swings between AI optimism and pessimism, as well as a massive sell-off in safe-haven assets that saw silver futures log their worst day on record.

Geopolitics

On January 3rd, the US military captured Venezuelan President Nicolás Maduro, who will be tried in a US court on narco-terrorism and related charges. While President Trump suggested the US would oversee Venezuela's transition, officials later clarified that Washington would work with Vice President Delcy Rodríguez rather than assume day-to-day governance. Trump also pledged significant US oil sector involvement and later issued a broad licence allowing American companies to expand operations in Venezuela.

Local markets rallied sharply on expectations of economic stabilisation, with the Caracas Stock Exchange surging as high as 188% following the news and remains up 72.83% for the month, while global markets largely shrugged off the geopolitical escalation.

The episode coincided with renewed US pressure over Greenland, triggering European pushback and temporary tariff threats that weighed on US equities and boosted safe-haven assets, before Trump later softened his stance and outlined an Arctic security framework with NATO at Davos.

The Federal Reserve

Federal Reserve independence was also in the headlines for much of January, after the Department of Justice launched a criminal investigation into Federal Reserve chair Jerome Powell, making him the first sitting Fed leader in history to be the subject of a criminal investigation. The focus of the investigation is whether Powell misled Congress during his June 2025 testimony regarding a $2.5 billion renovation of the Federal Reserve's headquarters, although in a rare public statement, Powell characterised this investigation as a pretext, arguing the true goal is to intimidate the Fed into lowering interest rates according to the Trump administration's preferences. No formal criminal charges have been filed as of yet. Many former Fed chairs and central bankers from around the world have expressed their support for Powell.

Last Friday, Trump nominated former Fed Governor Kevin Warsh to succeed Jerome Powell as Chair when his term expires in May 2026. While the pick was generally welcomed by Wall Street as an "establishment-friendly" choice, gold and silver plummeted 10% and 28% respectively as Warsh has historically held hawkish views regarding quantitative easing and excessive central bank balance sheet expansion. Republican Senator Thom Tillis vowed to block the confirmation of Warsh until the investigation into Powell is "fully and transparently resolved"

Amidst the political drama, the FOMC met this month. The Federal committee held rates steady for the first time in four meetings, noting signs of economic strength, a stabilising labour market and still sticky inflation.

Earnings

As of the end of January, 33% of S&P 500 companies have reported results for the fourth quarter of 2025. 75% of these companies have reported a positive EPS surprise, with the current blended year-over-year earnings growth rate currently at 11.9%, while at a sector level both IT and communication services are both reporting double-digit earnings growth for the quarter. Despite these still strong earnings, tech stocks have seen increased volatility this month as investors pivoted from universal AI optimism to a rigorous focus on monetisation timelines and capital expenditure, rewarding companies with clear AI-driven returns while severely punishing those with high costs and stalling momentum.

The S&P 500 was up 1.44%, while the tech-heavy Nasdaq was able to eke out a modest return of 0.97%.

ID Capital (Pty) Ltd is an authorised Financial Services Provider (FSP No. 10953). The information contained in this document is intended for informational purposes only. Although every care has been taken to ensure the validity and accuracy of the information provided in this document, ID Capital does not accept any responsibility for any claim, damages, loss, or expense, however it arises, out of or in connection with the information in this document, whether by a client, investor, or intermediary. The views, thoughts and opinions expressed in our content belongs solely to the author or quoted individuals and/or entities, and not necessarily to the author's employer, organisation, committee, or other group or individual. This document should not be seen as an offer to purchase any specific product and is not to be construed as advice or guidance in any form whatsoever.

While the S&P and Nasdaq have managed to start the year in the green, the biggest gains in early 2026 have been the small caps, with the Russel 2000 Index up 5.39% for the month. Investors are increasingly optimistic about the cheap valuations and earnings growth potential for these smaller companies.

Asia-Pacific

Economic data showed that the Chinese economy expanded by 5% in 2025, meeting Beijing's official target, despite growth slowing to 4.5% in the final quarter of the year. Experts say the figures point to a "two-speed economy", with manufacturing and exports propping up expansion, while consumer spending remains weak and the real estate market continues to weigh on the country. The country reported a record trade surplus of nearly $1.2 trillion for 2025, while house prices continued to fall in December down 2.7%. Property investment also fell 17.2% last year. Retail sales rose just 0.9% in December, the slowest pace in three years.

Investors meanwhile continued to remain optimistic about China's long-term prospects and technological innovation, and despite a late month sell-off as investors took profit, the Hang Seng Index was up 6.88% for the month.

South Korea continued to be a major beneficiary of the AI infrastructure build-out with KOSPI heavy-weights Samsung Electronics and SK Hynix both reporting earnings above expectations, helping the KOSPI return 23.97% in January. President Trump announced an increase in the tariffs on imported South Korean autos, pharmaceuticals, and lumber from 15% to 25%. Although the KOSPI experienced an intra-day dip on the news, investor scepticism regarding the implementation of the threat, following similar walk-backs involving European allies earlier in the month, meant that the index ultimately closed at a then-record high.

Europe

Eurozone inflation data reinforced the view that price pressures are well contained. Headline inflation returned to the ECB's 2% target in December, fully in line with expectations, while core inflation surprised modestly to the downside at 2.3% YoY. The composition showed firmer food prices offsetting softer underlying pressures, strengthening the case that inflation is now in a "good place". The flash estimate of Eurozone consumer price figures for December showed that inflation slipped precisely to the ECB's 2% target again as 2025 drew to a close, in line with the consensus forecasts. The case that inflation is currently 'in a good place' is therefore easily made, and the ECB is expected to continue to hold rates at its next meeting in February.

And while Trump was threatening to increase tariffs on the European Union, the economic bloc reached a historic trade agreement with India, after nearly 20 years of negotiations. The deal will cut or eliminate tariffs on most goods, creating the world's largest free trade zone, and aiming to boost two-way trade and reduce reliance on the US amid growing global trade tension.

European markets fared well in January, with the Euro STOXX 600 up 3.24% although there was some sector-specific volatility – namely technology and luxury.

South Africa

South African CPI data from December showed headline inflation remained benign at 3.6%, in line with expectations. The SARB met this month, and held rates at 6.75% as expected, to firmly anchor inflation expectations around the new 3% mid-point target. The SARB's Quarterly Projection Model suggests that the rate-cutting cycle has been delayed rather than finished.

In the local market, a strong start to the year ended with a splutter, as the global precious metals sell-off and dollar strengthening resulting in a large one-day loss. The JSE All-Share Index ended the month up 3.72%, down from an intra-month high of over 8%.

Quote of the month:

"The old order is not coming back. We should not mourn it. Nostalgia is not a strategy. We are taking the sign out of the window and naming reality: a system of intensifying great power rivalry where integration has become a source of subordination. If we're not at the table, we're on the menu."
- Canadian Prime Minister Mark Carney

ID Capital (Pty) Ltd is an authorised Financial Services Provider (FSP No. 10953). The information contained in this document is intended for informational purposes only. Although every care has been taken to ensure the validity and accuracy of the information provided in this document, ID Capital does not accept any responsibility for any claim, damages, loss, or expense, however it arises, out of or in connection with the information in this document, whether by a client, investor, or intermediary. The views, thoughts and opinions expressed in our content belongs solely to the author or quoted individuals and/or entities, and not necessarily to the author's employer, organisation, committee, or other group or individual. This document should not be seen as an offer to purchase any specific product and is not to be construed as advice or guidance in any form whatsoever.