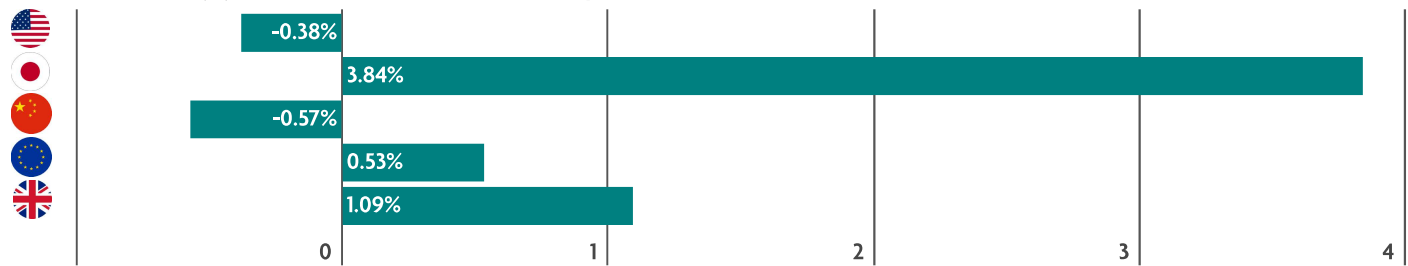


19 January 2026

Last week's performance – major stock markets

Market Monitor (%): How did major stock markets perform last week*?



Key stories from last week



US: SMALL COMPANIES AND VALUE STOCKS EXTEND THEIR YEAR-TO-DATE OUTPERFORMANCE

Stocks were mixed for the week as small cap and value shares extended their outperformance while large cap indexes eased from record levels. Early earnings reports produced mixed reactions with profits falling at some major banks but beating expectations at others, while a strong result from Taiwan Semiconductor Manufacturing lifted sentiment around artificial intelligence related names. Political and trade developments added volatility as proposals on credit card rate caps, new tariffs and news of an investigation involving the Federal Reserve Chair Jerome Powell drew attention. Inflation data showed core consumer prices rose 2.6%, their slowest pace since early 2021, while producer prices picked up slightly due to higher energy costs. Retail sales exceeded expectations although the GDP relevant control group showed slower growth.



JAPAN: ECONOMIC STIMULUS HOPES DRIVES EQUITIES TO NEAR RECORD LEVELS

Japanese stocks rose sharply to near record highs as expectations grew that Prime Minister Sanae Takaichi will call a snap election that could deliver a stronger mandate and pave the way for larger fiscal stimulus. This boosted sectors linked to artificial intelligence, nuclear energy and defence. The yen briefly weakened on the election news before stabilising, supported in part by comments from the finance minister about readiness to counter excessive currency moves, while government bond yields climbed on concerns that increased stimulus could strain public finances. Speculation also emerged that the Bank of Japan may raise interest rates earlier than previously expected due to the yen's persistent weakness, although officials have reiterated that policy tightening will depend on economic conditions and the sustainability of wage growth.



CHINA: STOCKS EASE AS REGULATORS TIGHTEN INVESTMENT FINANCING RULES

Mainland Chinese stocks fell after regulators tightened investment financing rules that now require investors to provide collateral equal to the full value of credit-funded stock purchases, a move aimed at cooling rapid market gains following a sharp rally driven by artificial intelligence themes and optimism around domestic tech firms. Authorities grew uneasy as investment borrowing neared record levels and the CSI 300 hit a four-year high earlier in the month. Economic data showed China's exports jumping at their fastest pace in three months in December, pushing the 2025 trade surplus to a record 1.2 trillion dollars, with strong shipments to Southeast Asia and Europe more than offsetting tariff-driven declines to the United States.



EUROPE: EU COUNTRIES ENDORSE LARGEST EVER FREE TRADE AGREEMENT

European equities were mixed. Germany's DAX and Italy's FTSE MIB index posted modest gains, while France's CAC 40 Index fell 1.2%. The German economy grew for the first time in three years in 2025 as households and the government increased spending. Official data showed that GDP expanded 0.2% in the fourth quarter and for the full year. Investor sentiment improved in January and was the strongest since July 2025 due to improved economic expectations, according to market research firm Sentix. After 25 years of talks, European Union countries provisionally endorsed a free trade agreement with South America's Mercosur bloc, which comprises Argentina, Bolivia, Brazil, Paraguay, and Uruguay. The deal, the largest ever for the EU in terms of tariff reductions, will see the gradual elimination of tariffs on more than 90% of bilateral trade.



UK: EQUITIES RISE ON BETTER-THAN-EXPECTED ECONOMIC GROWTH

UK equities strengthened over the week as economic data showed a return to growth. UK GDP rose 0.3% in November after contracting in the prior two months, outperforming expectations for a 0.1% increase. The improvement was supported by gains in both services and production, with manufacturing boosted in part by Jaguar Land Rover restarting operations following a cyberattack. UK borrowing costs declined to their lowest level in a year, supported by growing expectations of further interest rate cuts and easing concerns over elevated government borrowing.



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*Source: Bloomberg. All performance measured in local currency.

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