Market Update: January 2026

Market Insights By Ben Snedeker

Global share markets kicked off the year with a bang, thanks to solid economic numbers and brighter earnings prospects. The ASX200 was up 1.8%, the S&P 500 gained 1.5%, and emerging markets stole the show, jumping 8.8%. Asia (not including Japan) wasn't far behind, up 8.6%. On the flipside, the Aussie dollar getting stronger meant local investors didn't see as much benefit from their overseas shares.

Sector performance
Resources had a cracker, with Energy up 10.6% and Materials up 9.5%. On the other hand, IT copped a beating, down 9.4%, and Property/REITs slid 2.7%—higher rates soured the mood. In the US, more sectors got involved, with cyclical stocks and small companies catching investors' eyes.

Fixed interest
Aussie bonds scratched out a small gain (Bloomberg AusBond Index up 0.21%), but yields kept moving higher, with the 10-year touching 4.81%. Stubborn inflation has the RBA staying tough, and markets are expecting the central bank to hike rates twice this year.

Global economy
Geopolitical dramas kept bubbling away. The Fed held rates steady after cutting them in December. In the US, unemployment dropped to 4.4% and inflation calmed down a bit, but consumer confidence took a hit. China's growth is still all about exports, though their property market's dragging its feet. Most major currencies got stronger against the US dollar.

Australian economy
Local data is looking good—unemployment edged down to 4.1%. Aussies are still spending and businesses are holding up well. Inflation's sticking around at 3.9% over the year. Credit growth and house prices are rising, but things seem to be slowing a bit.

Monthly Quote

"The first lesson of economics is scarcity: There is never enough of anything to satisfy all those who want it. The first lesson of politics is to disregard the first lesson of economics."

— Thomas Sowell

Commodities
Commodities had a huge month—gold up 13%, copper 5%, lithium 28%, uranium 25%, oil 14%, and gas 18%. Only iron ore missed out, dropping 5% because demand's been a bit weak.

Earnings outlook
Forecasts for Aussie company earnings are on the rise (ASX200 up 2.2% in January, 3.6% over the past three months), with Materials leading the pack. FY26 earnings per share is tipped to grow around 9%, putting a stop to the three-year decline. Value is looking better as growth stocks lose a bit of shine.

Outlook
Looking ahead, global economic growth is forecast to be around 2.8%, with Australia expected to notch up about 2.3%. We're seeing earnings growth forecasts at roughly 13% for international markets and 11% for Aussie companies. Shares are pretty pricey right now, so there mightn't be heaps more upside from here. On the bright side, Aussie fixed interest is looking good, with yields sitting above 4.5%. For the first time in three years, ASX200 dividends are set to head higher. If you want to keep things balanced, it's wise to spread your portfolio across the board

What this means for portfolios
The positive start to 2026 reinforces diversifying and balancing portfolios. Improving earnings and bond yields support moderate returns, while higher valuations may restrain gains. Strengthening the role of fixed interest can help manage risk and income. Staying invested and maintaining global exposure remains key amidst ongoing market volatility.

Historical context and recent trends
Compared to previous years, the early momentum in 2026 marks a notable change from the subdued start seen in 2023 and 2024 when markets grappled with post-pandemic uncertainties and tighter monetary policy. The surge in commodities, especially lithium and uranium, follows rapid advances in battery technology and increased global investment in energy infrastructure with the build out of AI. Meanwhile, currency fluctuations have become increasingly important for Australian investors, with the stronger AUD eroding some international equity gains.

Investor considerations and risks
Investors should carefully assess sector exposures, given the divergence between resource-related and technology companies. Ongoing geopolitical tensions could impact commodity supply chains and influence currency movements. While expectations point toward continued earnings growth, the possibility of further rate hikes and persistent inflation pose potential risks to both equity valuations and fixed income strategies.

Looking ahead
As we move further into 2026, we will closely monitor central bank policies, corporate earnings releases, and macroeconomic indicators. The importance of maintaining flexibility and a long-term perspective cannot be overstated, especially with the likelihood of heightened market volatility in the months ahead. Diversification across asset classes and geographies remains a prudent approach, while selective investments in high-yield fixed interest and global equities could provide opportunities for enhanced returns.

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