

01/2026

# Market Snapshot

## Equity Snapshot

### United States

US equities rose modestly in January. The Trump administration's unpredictable foreign policy stance sparked geopolitical uncertainty and stoked fears of a trans-Atlantic trade war. Oil majors led the Dow Jones Industrial Average to new highs early on, after the US launched airstrikes against Caracas and captured Venezuelan President Nicolás Maduro. However, US assets sold off sharply mid-month after President Trump threatened eight European countries with additional tariffs for opposing his ambitions to wrest sovereignty of Greenland from Denmark, causing a major rift with European leaders and raising concerns about the future of the NATO alliance. Meanwhile, two fatal shootings by ICE agents in Minneapolis sparked bipartisan outrage, with Senate Democrats threatening to block funding for the Department of Homeland Security and raising the prospect of another government shutdown. Worries about the political independence of the Federal Reserve (Fed) also buffeted investor confidence, and shares fell after President Trump announced former Fed Governor Kevin Warsh as his nominee to succeed Jerome Powell as the next chair of the US central bank.

Economic data was mixed. Non-farm payrolls data showed that a softer-than-expected 50,000 jobs were added to the US economy in December, trailing November's downwardly revised 56,000 and consensus estimates of 60,000. More positively, the US unemployment rate crept back down to 4.4% after touching 4.5% in November. Retail sales rebounded from October's downwardly revised decline of 0.1% to 0.6% growth in November. The Federal Reserve Bank of Atlanta's GDPNow running estimate of annualised economic growth ticked up to 5.4% for the fourth quarter, while official GDP data revealed that the US economy grew by 4.4% in the third quarter of 2025, an uptick on the most recent estimate of 4.3%. Meanwhile, the Conference Board Consumer Confidence Index plummeted to a 12-year low of 84.5 in January.

Headline inflation unexpectedly held steady at 2.7% in the year to December but rose 0.3% on a sequential month basis as food prices rose to a three-year high. The Fed was firmly in focus in an otherwise quiet month for monetary policy headlines, with policymakers holding the federal funds rate steady at a range of 3.5%–3.75%, as widely anticipated. However, worries about the political independence of the Federal Reserve (Fed) also buffeted investor confidence, and shares fell after President Trump announced former Fed Governor Kevin Warsh as his nominee to succeed Jerome Powell as the next chair of the US central bank. In addition, investors await the Supreme Court's decision on whether the US president has the authority to remove a Fed governor, following Trump's attempt to fire Lisa Cook last year.

### Europe

European equities moved modestly higher in January. Defence stocks lifted markets in the aftermath of US military intervention in Venezuela, but gains were pared after US President Donald Trump threatened eight European countries with additional tariffs over their opposition to his Greenland annexation proposals. The move triggered concerns around the future of the NATO military alliance and broader trans-Atlantic relations, prompting European leaders to reaffirm

support for the self-governing Danish island nation and suspend approval of last year's US-EU trade deal. Stocks rebounded in the ensuing relief rally after President Trump's rhetoric softened, and continued to climb after Brussels signed a trade deal with Mercosur. Stocks rallied near month end after the EU and India signed a landmark free-trade pact covering around one-third of global trade. Meanwhile, heavy Russian airstrikes intensified Ukraine's winter energy crisis, even as the first trilateral talks between Moscow, Kyiv and Washington took place in Abu Dhabi.

Inflation in the euro zone ticked back down from 2.1% in the 12 months to November to the European Central Bank's (ECB's) 2% target in December. According to a preliminary estimate, fourth-quarter GDP growth in the euro zone rose by 0.3%, in line with the previous quarter's upwardly revised figure and trouncing consensus estimates of a 0.2% increase. However, euro-zone exports fell 3.4% year on year in November 2025.

## Asia

Asia ex Japan equities started the year on a strong note. Korea and Taiwan continue to lead gains as AI enthusiasm continued to lift technology stocks. Chinese equities also finished the month higher, with the CSI 300 Index touching a four-year peak as technology names rallied on optimism around greater self-sufficiency. Conversely, Indian equities declined as foreign fund withdrawals and tariff concerns weighed on sentiment.

ASEAN markets delivered positive returns in January but underperformed the broader regional index. Thailand led the region, supported by election optimism and relative border stability with Cambodia. The Philippines followed, advancing on attractive valuations, while Singapore and Malaysia posted modest gains. On the other hand, Indonesia was the weakest market, weighed down by MSCI's downgrade warning.

## Bond

Global bond yields were mixed, with major central banks generally keeping interest rates on hold in January. US Treasury yields closed little changed overall in a month with 2 year yield up by 5 basis points (bps) as the US Federal Reserve (Fed) sound a less dovish tone and President Trump name inflation hawk Kevin Warsh as his choice to succeed Jerome Powell as Fed chair. 10-year yields in Japan reached fresh multi-decade highs as Japanese interest rate expectations firmed. Nonetheless, European bond yields fell as speculation of a euro-zone rate hike in 2026 faded.

## Outlook

Markets continue to balance strong enthusiasm for technological innovation with a renewed emphasis on valuation discipline and earnings quality. While the pace of innovation particularly across AI, automation, and digital infrastructure remains rapid, recent market volatility has reinforced that not all disruption translates into sustainable shareholder returns. In this environment, we believe investors are increasingly differentiating between long-term compounders and more speculative business models. Disciplined capital allocation, resilient balance sheets, and demonstrable pricing power are therefore becoming more important drivers of performance. For our strategies, which are firmly anchored in quality and fundamental durability, a renewed market focus on earnings resilience and return profiles should act as a key catalyst.

The recent correction across parts of the AI and broader technology complex has introduced a healthier degree of selectivity. This has encouraged investors to reassess fundamentals and has supported a gradual re-rating of high-quality companies that sold off primarily on sentiment rather than on a deterioration in underlying earnings prospects. We are already observing early signs of stabilisation across select software and growth names. A similar pattern is emerging in defence, where short-term volatility contrasts with strong multi-year growth visibility as stockpile replenishment accelerates and long-dated procurement cycles gain traction.

In Europe, fiscal initiatives and industrial policy continue to underpin investment across energy infrastructure, electrification, efficiency upgrades, defence, and transportation. Within portfolios, we maintain exposure to semiconductor equipment, automation, and AI enablers, including data-centre infrastructure and electrification suppliers. Encouragingly, industrial order momentum and backlog visibility are improving across several holdings, while early signs of stabilising demand in China provide additional support.

Against this backdrop, we remain focused on global leaders with durable competitive advantages, structural growth exposure, and the ability to compound earnings across economic cycles. Both Global and European valuations are comparatively attractive, especially within some of the higher quality companies where there has been a decline in valuation compared to the broader market. This could provide a stock picking opportunity and adds to an outlook where sustained earnings-driven outperformance appears compelling.

Source: Allianz Global Investors, as of 31 January 2026 unless otherwise stated.

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