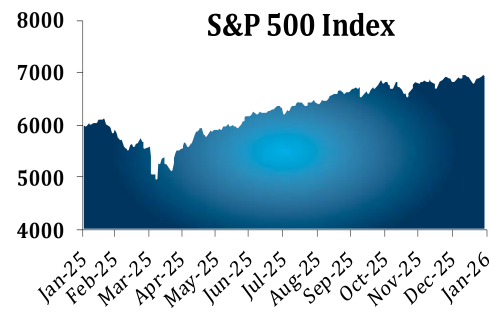
This Month in the Markets

January 2026

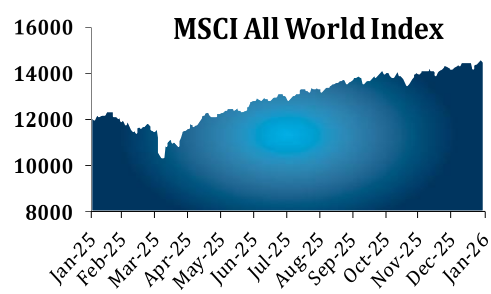
ANCHOR Investment Management

Equity Commentary: Rotation of Leadership

Equity markets posted gains in January despite significant geopolitical volatility involving Venezuela, Greenland, and Iran. In the U.S., the S&P 500 rose 1.4%. International indices outperformed helped by currency appreciation, with the MSCI Europe Asia Far East Index jumping 5.2% and the MSCI Emerging Markets Index soaring 8.8% (measured in U.S. dollars). Commodities were the star performer as the iPath Bloomberg Commodity index rallied 12.9% for the month on the back of parabolic moves in precious metals.

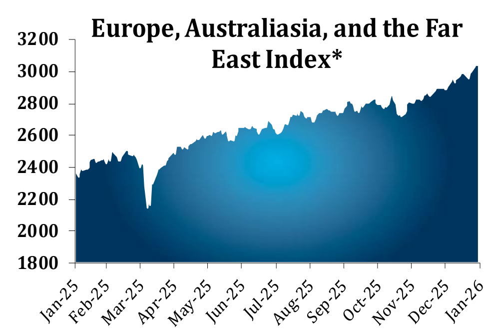


Early in the month, the U.S. capture of Nicolas Maduro and subsequent regional uncertainty weighed on broad sentiment while boosting energy and defense stocks. A dispute over Greenland triggered a sharp 2.0% mid-month drop—the largest since October—exacerbated by rising Japanese yields. However, markets rebounded as risks subsided, pushing the S&P 500 above 7,000 for the first time. The month closed with a pullback driven by disappointing Microsoft earnings accelerating the exit from computer software shares. The appointment of Kevin Warsh as the new Federal Reserve Chair helped stabilize sentiment on the dollar.



The year started with sector leadership changes. The MSCI ACWI Energy Index was the top performer, climbing 11.7% as geopolitics drove volatility and gains. The capture of Maduro and tensions with Iran lifted oil prices and energy stocks. The rally was further supported by strong Q4 earnings beats from majors, including Chevron and Exxon. The MSCI ACWI Consumer Discretionary Index was the underperformer with a gain of only 0.7% as consumer confidence plunged over concerns about elevated prices and the softening labor market.

The worst performing position for January was Intuit Inc. ("INTU"), which fell 24.2% on concern that AI will disrupt the software industry. The best performer was ASML Holdings NV ("ASML NA") which soared 33%. ASML produced strong quarterly results which saw its order book expand significantly as its machines used to produce cutting-edge semiconductors and memory chips continue to be in high demand as the AI arms race heats up.



We sold two positions in January. We exited Adobe Inc. ("ADBE") to lower our exposure to software risk of AI disruption and increasing competition in Adobe's core businesses. We also sold UnitedHealth Group Inc. ("UNH") as it has become increasingly likely that the U.S. government is willing to aggressively push back on Medicare and Medicaid pricing which will pressure health insurance providers' profit margins.

We bought one position in January. We purchased shares of GE Vernova Inc. ("GEV"). The world is undergoing a global energy transition through electrification + decarbonization and GEV stands to greatly benefit as the leader in electrical power equipment. Data center/AI power consumption and the electrification of things that were never electric before – like cars – has accelerated load growth rates, with demand estimated to double by 2050. GEV is the largest producer of natural gas turbines that are increasingly being utilized to combat peak demand and price spikes. These are sold out through ~2030, thus giving GEV significant pricing power on new orders and better cash flow visibility due to recurring high margin service revenues. In addition, the biggest bottleneck globally is actually the old grid system which was built 30-50 years ago and was not designed to do things like distributed generation, bidirectional flow and long-distance renewable transmission. GEV is one of the largest suppliers of grid equipment – things like transformers, HDVC, switchgears, and of course the software to run it all. This segment is the fastest growing and saw 4Q revenues and orders jump 36% and 55% YoY, respectively.

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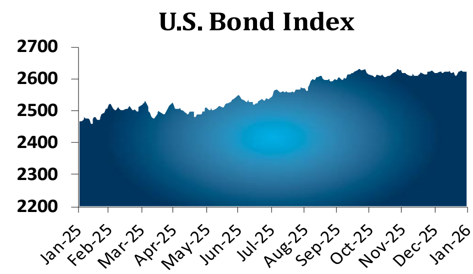
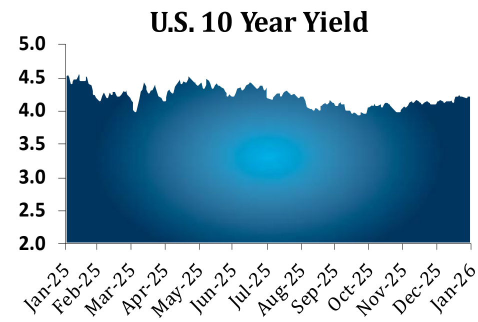
Fixed Income Commentary: An Eventful Start to 2026

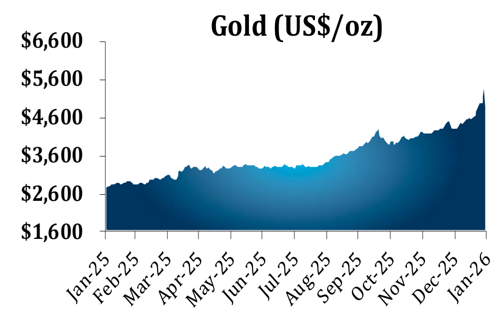
Despite President Trump's effort to lower U.S. interest rates, strong economic growth drove yields higher in January. The Atlanta Fed's GDPNow tracking fourth quarter growth at 4.22%. Growth is also set to receive a fiscal tailwind this year following the passage of the "One Big Beautiful Bill." The two-year Treasury yield rose 5 basis points to 3.52%, while the 10-year yield increased 7 basis points to 4.23%. The U.S. labor market continues to weaken at the margin, with the ratio of job openings to unemployed workers falling to 0.9x. Meanwhile, inflation continues to drift lower. Despite credit spreads ending the month near record tight levels, investor demand for corporate credit remained undiminished. This was evident in AT&T's $6.5 billion bond issue (upsized from $5 billion), which attracted an extraordinary $38 billion in orders.

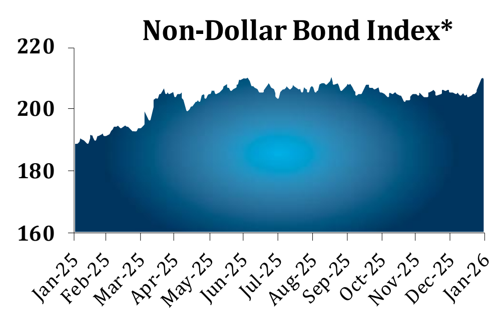
The "sell the dollar" narrative featured prominently in January. President Trump's rhetoric and actions regarding Venezuela and Greenland, alongside renewed trade tensions, have contributed to this sentiment. As one example, Danish pension fund AkademikerPension announced plans to divest all of its U.S. Treasury holdings (approximately $100 million) by month-end. While the U.S. dollar remains the world's dominant reserve currency — a status unlikely to change in the near term — it nevertheless weakened in January, with the DXY index down 1.35%. Dollar weakness was broad-based: the euro rose 0.88%, the yen 1.16%, the Australian dollar 4.24%, and the Norwegian krone 4.60%. The AUD and NOK benefited from rising rate-hike expectations — widening interest-rate differentials in their favor — as well as higher commodity prices.

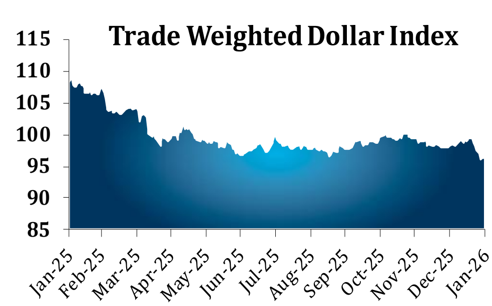
On January 20, Japanese government bond (JGB) yields surged in response to fiscal profligacy from prime Minister Sanae Takaichi's debt-funded fiscal stimulus proposals. In a single session, the 30-year JGB yield jumped a remarkable 26 basis points to 3.84%, its highest level in 27 years. The move came at a time when Japan appears to have finally emerged from its multi-decade deflationary period. Core inflation stands at 2.9% year-on-year, and Japan's largest labor union is pressing for a 5.0% wage increase this year. The spike in Japanese long-dated yields spilled over into global bond markets, though to a far lesser extent: the U.S. 10-year Treasury yield rose 7 basis points on the day. Subsequent reassurances from Japanese officials helped yields retrace part of the move and supported a strengthening yen. Nonetheless, the episode — reminiscent of the UK's 2022 "Liz Truss moment" and the U.S.'s April 2025 "Liberation Day" backlash — served as another reminder of how quickly bond markets can revolt, driving yields sharply higher and currencies lower. What was once largely confined to emerging markets is now increasingly evident in developed markets amid rising public debt and fiscal profligacy.











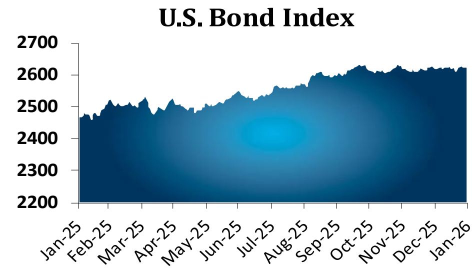
*Merrill Lynch Global Broad Market, Ex US Dollar Index

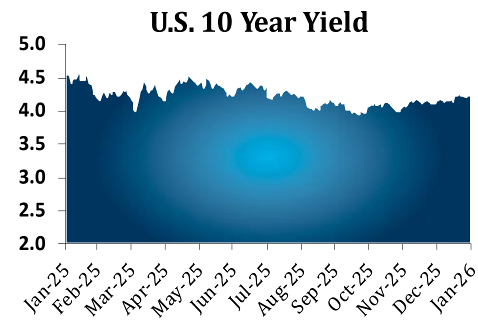
Fixed Income Commentary: An Eventful Start to 2026

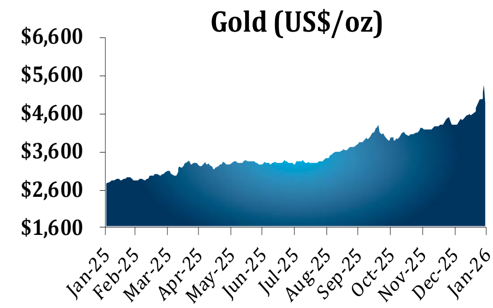
The Federal Reserve held the fed funds rate unchanged at 3.75% at its late-January meeting, which was otherwise uneventful. Markets continue to price two more 25 basis point rate cuts this year, both expected in the second half. The FOMC meeting itself was among the least consequential Fed developments in January. More notable were the escalating political pressures on the institution. On January 9, Chair Powell received a subpoena from the Department of Justice related to testimony before the Senate Banking Committee concerning cost overruns at the Fed's headquarters. Powell responded forcefully, stating: "The threat of criminal charges is a consequence of the Federal Reserve setting interest rates based on our best assessment of what will serve the public, rather than following the preferences of the President." Separately, oral arguments concerning President Trump's firing of Fed Governor Lisa Cook were heard by the Supreme Court on January 21, though a ruling is not expected until the summer of 2026.

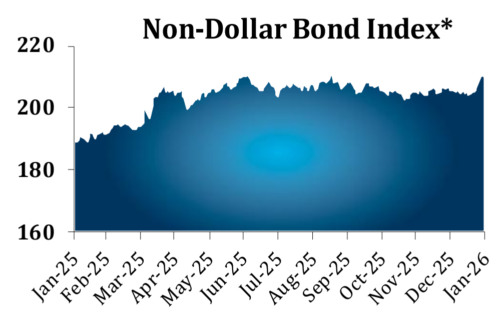
Later in the month, President Trump announced his intention to nominate Kevin Warsh as the next Fed Chair. Warsh served as a Fed governor from 2006 to 2011 and was widely viewed at the time as an inflation hawk. Given President Trump's outspoken preference for lower interest rates, the nomination initially appeared curious. However, Warsh's hawkish stance during the global financial crisis reflected widespread concerns that the Fed's emergency easing programs could prove inflationary — views that, in hindsight, may warrant reassessment. It is also possible that Warsh's thinking has evolved since then. Republicans currently hold a 53–47 majority in the Senate, suggesting confirmation should be achievable, despite opposition from Senator Thom Tillis, who has indicated he will oppose any Fed nomination until the DOJ probe is fully resolved.

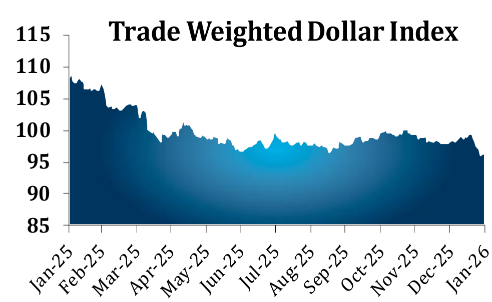
Additional Fed-related crosscurrents include a shift in the 2026 FOMC voting roster toward more hawkish members and uncertainty surrounding Stephen Miran's future following the conclusion of his term. Finally, questions remain over whether Chair Powell might remain on the Board of Governors after his term as Chair ends in May — an unusual but not entirely implausible outcome given the persistent political pressure he faces.











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