

CIO Office Morning Notes

19 January 2026

Global equities ended the week modestly higher, though performance diverged meaningfully across regions and sectors. The MSCI ACWI rose 0.4%, supported by a 2.3% gain in emerging markets. Developed markets were largely unchanged, and the S&P 500 declined 0.4%. Market attention narrowed over the course of the week, with banks opening to the Q4 reporting season as the defining theme, set against a backdrop of higher U.S. yields, renewed tariff risk, and renewed conviction around the AI investment cycle. U.S. rates moved higher into the end of the week. The 10-year Treasury yield rose six basis points on Friday to 4.22%, as attention shifted toward the institutional outlook for the Federal Reserve and the implications for policy continuity. Headlines around the potential succession to Chair Jerome Powell, including reports that BlackRock's Rick Rieder is under serious consideration, circulated as the Justice Department's subpoena related to the Fed's headquarters renovation remained in focus. These developments did not alter near-term rate expectations, but they featured prominently in market discussion and added sensitivity at the long end of the curve. Trade policy re-entered the narrative late in the week. President Trump announced plans to impose a 10% tariff on goods from several NATO allies supporting Denmark in the Greenland dispute, with the rate set to rise to 25% by mid-year if negotiations fail. European officials raised the prospect of retaliation and questioned the future of the existing EU-U.S. trade truce. Markets did not price an immediate growth shock, but the episode reinforced that tariffs are again being used as an active policy tool.

Q4 earnings season kicked off with bank earnings that dominated the week and delivered a highly differentiated message. Trading driven franchises continued to benefit from elevated client activity, volatility, and balance sheet deployment. Goldman Sachs rose 2.5% on the week after reporting strong fixed income and equities trading revenue, with management pointing to improving momentum in capital markets activity and a more constructive pipeline for advisory and underwriting. Morgan Stanley gained 1.5%, supported by similar themes, with strength across institutional securities offsetting more modest wealth management flows. The contrast was stark elsewhere. Citigroup fell 2.7% on cost pressures, execution risk, and sensitivity to regulatory and political developments. Bank of America declined 5.2%, underperforming peers as the market reacted to margin pressure, balance sheet exposure to higher rates, and more cautious commentary on fee income. The dispersion reinforced that bank performance is no longer driven by the direction of rates alone, but by business mix, capital efficiency, and the ability to monetize market activity.

Notably, this divergence unfolded even as the broader backdrop for banks remained supportive. Wall Street firms reported record trading revenue for 2025, credit conditions remained benign, and issuance continued to be absorbed without disruption. The message from the sector was not one of stress, but of differentiation. Asset managers added a complementary signal. BlackRock rose 7.2% on the week after reporting record assets under management of \$14 trillion. Fourth-quarter inflows were strong, led by ETFs, with momentum extending across both public and private market strategies. The results pointed to continued engagement and a preference for scale and liquidity, even as policy uncertainty and political noise increased.

Outside financials, the AI supply chain reasserted itself as a source of earnings visibility. TSMC gained 3.7% for the week after delivering a stronger outlook and reinforcing expectations for higher capital spending into 2026. The update helped lift sentiment across global semiconductors and provided a strong tailwind to European technology. ASML moved to record highs and surpassed a \$500 billion valuation milestone, offering European equities a direct channel into the most visible global investment cycle.

Asia delivered the strongest regional performance. Japan led global markets, with the TOPIX rising 4.1% over the week. Gains were concentrated in exporters, financials, and semiconductor-linked names, supported by yen weakness and expectations of policy continuity. Political speculation around a potential snap election contributed to momentum earlier in the week before trading settled. China posted weekly gains, with the MSCI China Index up 1.6%, though daily trading was volatile. Export data pointed to continued resilience in manufacturing, supported by a record trade surplus and strength in higher value-added goods. Regulators tightened margin financing rules and restricted high frequency trading infrastructure, reinforcing an effort to moderate speculative excess without undermining broader confidence. Policy support remains in place, with a clear emphasis on stability and control.

Commodities were mixed into the close. Brent crude rose 0.6% on Friday to \$64.1 per barrel, supported by geopolitical risk but capped by ample supply. Gold fell 0.4% to \$4,956 an ounce. The dollar was little changed.

Markets this morning:

This morning, equity markets opened the week on a softer footing as trade headlines resurfaced during a pause in last week's earnings-led advance. Futures in the U.S. and Europe edged lower after comments from President Trump revived the prospect of new tariffs on European goods, leading EU officials to convene emergency discussions and keeping retaliation firmly in view. Asian equities traded mixed, with Japan and Hong Kong lower and China fluctuating after growth data met official targets, as price action remained tied to domestic demand conditions rather than headline figures.

Upcoming key events/data:

The coming week brings a dense calendar structured around clear daily markers. Monday opens with China releasing GDP, retail sales, industrial production, and fixed asset investment, alongside euro area CPI, setting the tone for how growth and demand are being assessed at the start of the year. Tuesday shifts focus to global policy and earnings, with Netflix reporting results, China announcing loan prime rates, and a series of central bank officials speaking at the World Economic Forum in Davos, keeping trade and financial stability in focus. Wednesday is lighter on headline data but includes Indonesia's rate decision and continued attention on Davos, where President Trump

is scheduled to address global leaders, pushing his economic and geopolitical agenda. Thursday is the heaviest data day, featuring U.S. GDP, personal income, PCE inflation, and jobless claims, alongside Intel earnings and the ECB's account of its December meeting. Friday closes the week with a broad PMI slate across Europe and Asia, Japan CPI and the Bank of Japan rate decision, where policy is expected to remain unchanged but guidance on the timing of the next move will be closely watched.

Have a good day!

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