



Global Markets

Geopolitics, Growth and the Return of Risk Appetite

Global markets opened 2026 on a constructive footing despite heightened geopolitical tensions and policy uncertainty. Stronger-than-expected activity data and moderating inflation reinforced the "Goldilocks" narrative, supporting equities while limiting bond performance. Global equities gained around 3% in January, while global bonds delivered only modest returns. Industrial production surprised to the upside in the US and Germany, eurozone GDP grew 0.3% in Q4, and inflation prints continued to soften across major economies. At the same time, geopolitical developments, including renewed tariff threats and tensions in energy markets, boosted demand for commodities and defence stocks, with gold surging and defence equities rallying sharply, highlighting the growing role of geopolitics in driving markets.

The Great Rotation: Markets Move beyond US Mega-Caps

Equities started the year strongly as leadership broadened beyond US mega-cap technology, a key theme for 2026. Emerging markets led global performance with gains of about 9%, while Japan and US small caps also delivered strong returns. In the US, the S&P 500 rose 1.5% and briefly surpassed the 7,000 level for the first time, supported by enthusiasm for artificial intelligence and strong corporate earnings. However, gains remained relatively narrow and volatility increased amid tariff concerns and uncertainty around future Federal Reserve leadership. Sector leadership shifted meaningfully, with financials, industrials and materials outperforming while defensive sectors lagged as investors rotated toward cyclical and growth-sensitive areas. Semiconductor demand and AI infrastructure supported Asian markets, while Saudi equities benefited from higher energy prices and improved foreign investor access. Overall, earnings rather than valuation expansion remained the key driver of equity performance.

Higher Yields, Resilient Credit and a Powerful Commodities Rally

Bond markets struggled to keep pace with equities as stronger growth pushed expectations for interest-rate cuts further out. Global bonds delivered only modest gains, while US Treasury yields rose, particularly at the front end of the curve. Japanese government bonds recorded their weakest start to a year in decades amid fiscal concerns, while French and Italian bonds outperformed as political risks eased. Credit markets remained resilient, supported by healthy economic data and expectations of continued policy support.

Commodities were the standout asset class at the start of the year, with broad commodity indices rising around 10%, gold gaining approximately 13% and Brent crude oil increasing by about 16%, reinforcing their role as a hedge against geopolitical and inflation risks.



Regional Markets

TASI Rebounds Strongly as Reforms and Foreign Inflows Drive a January Rally

Saudi equities started 2026 with a strong rebound as the Tadawul All Share Index rose 8.5% in January to 11,382, reversing the late-2025 weakness and outperforming most regional peers. Market liquidity improved sharply, with traded value jumping 31.6% month-on-month to SAR 100bn, reflecting renewed risk appetite and strong participation from foreign investors. The rally was broad-based, with 17 of 21 sectors posting gains, led by Insurance, Materials, Banks and Real Estate, while large caps such as Al Rajhi Bank and Saudi Aramco were the biggest contributors to index gains. Foreign investors recorded net inflows of SAR 4.96bn, pushing QFI ownership up to 11.58% of free float, highlighting the growing attractiveness of Saudi equities as market reforms continue to simplify foreign access and valuations remain supportive.

Vision 2030 Reforms, Strong Macro Fundamentals and Oil Tailwinds Reinforce Outlook

Saudi macro fundamentals remain supportive, with real GDP growth estimated at 4.5% in 2025, driven by both oil and non-oil sectors, while inflation remains contained near 2.1%. Consumer spending grew 10.7%, private sector credit expanded 10.4%, and the launch of the National Privatization Strategy, targeting 221 PPP projects and SAR 240bn of private investment by 2030, reinforced the long-term structural reform story. Higher oil prices and improving regional market performance further supported sentiment across the GCC, strengthening Saudi Arabia's positioning as one of the region's most compelling equity markets heading into 2026.



Global Market Indices

Global Data: As End Of: 30-Jan-26

Saudi Market Data: As End Of: 31-Jan-26

Region/sector	Index	Quote	MTD (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	2023 (%)	2024 (%)	2025 (%)
World	DJIM World TR	13,443.50	3.2	3.2	19.5	19.4	20.1	10.8	14.0	27.0	18.0	19.4
Developed	DJIDEV TR	7,721.97	2.9	2.9	18.7	19.0	20.9	12.0	14.5	29.4	18.5	19.2
Emerging Markets	DJIEMG TR	6,815.07	6.2	6.2	28.5	23.8	12.5	1.2	10.0	6.4	13.3	21.8
Saudi	TASI	11,382.08	8.5	8.5	(8.5)	(1.8)	1.8	5.5	6.6	14.2	0.6	(12.8)
NAREIT	All REITS TR	3,452.00	4.1	4.1	13.7	10.6	6.0	4.1	5.0	9.8	1.6	11.0
GSCI	All Commodities	598.19	9.1	9.1	6.0	3.2	(0.1)	6.8	7.1	(12.2)	2.6	(0.2)
Currencies	Euro	1.19	0.9	0.9	14.1	4.5	3.0	(0.5)	0.9	3.1	(6.2)	13.4
	Yen	154.78	1.2	1.2	(0.3)	(2.3)	(5.6)	(7.5)	(2.4)	(7.0)	(10.3)	0.3
	GBP	1.37	1.6	1.6	10.2	3.8	3.5	2.9	2.8	5.4	(1.7)	7.7

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