

Circular January 2026

Happy New Year to you. May it be a good one!

2025

2025 has been a challenging yet rewarding year for investors, defined by shifting market sentiment and global economic dynamics. Central bank policy decisions have been pivotal, tariff announcements have been disruptive, and technological advancements have pushed markets to new highs. Throughout all developments, whether a spike in gilt yield or weakening currency, market breadth has been the topic to watch. The approach to investing has remained steady, focusing on global diversification to avoid relying on any single economy or theme. Market performance has been robust, but cracks are starting to appear in certain areas. This suggests that while the backdrop remains constructive, selective positioning and active management are more important than ever.

Bond markets have provided a supportive backdrop for equities and so-called 'growth' investments, which are sensitive to changes in long-term interest rates. Although there is ongoing sticky inflation, interest rates are falling gradually and markets have reacted positively.

The ascent of equities has been heavily influenced by the technology sector and specifically the theme of Artificial Intelligence. Despite the sell-off in US stocks in Q1 we have since seen a rapid recovery. The rally in May and June led to overall gains for the year which validates historic market trend patterns. We've seen AI bubbles burst in the past, but this is different. The current AI stock has value whereas the 2000's tech bubble was based on possible values. Technology is certainly the future; it's a case of how fast it will move.

The 3-year risk factor of the FTSE 100 index has moved below its long-term average. This is because we are 5 years past the anniversary of the initial lockdown crash. As the stock market has settled then volatility has in turn diminished.



paul.wyatt@aimspi.com



www.aimspi.com



+66 (0) 8473 76036



THE FEDERATION OF EUROPEAN
INDEPENDENT FINANCIAL ADVISERS

Fee based, commission free, guarantees independency

Circular January 2026

Exchange Rates

The USD's reserve currency status remains intact due to its trustworthiness and the lack of a viable alternative, among other reasons. In 2025, the U.S. dollar (DXY index) fell 10.7%, marking its worst performance for this period in over 50 years.

Despite rate cuts by other developed market central banks like the ECB and BoE, the Fed has held rates steady, indicating slower U.S. growth, rising deficits, policy uncertainty, especially tariffs, and changing global capital flows.

Although there have been ups and downs, GBP climbed 7.5% against the USD, increasing from 1.25 to 1.34, and EUR was up 13.5% over 2025.

Depending on currencies of underlying investments and capital currencies, this can be positive or negative on portfolios. Investment managers factor currency moves into their investment choices.



paul.wyatt@aimspi.com



www.aimspi.com



+66 (0) 8473 76036



THE FEDERATION OF EUROPEAN
INDEPENDENT FINANCIAL ADVISERS

Fee based, commission free, guarantees independency

Circular January 2026

2026

In investing, as in life, a forward-looking instinct is powerful. We all want to know what’s coming next. Prediction markets are indicators and are showing a low probability of a US recession.



Key themes in prediction markets are

- Continued confidence in US economic growth
- Continuing confidence in AI-led growth
- Interest rates and central bank policy still matter

As we head into 2026, markets appear more optimistic than pessimistic. Growth is expected to continue, interest rates are likely to fall gradually, and stock market performance may broaden beyond a narrow group of winners. That’s a constructive backdrop for diversified multi-asset portfolios.

We work on referrals so if you think this would be useful to others, please feel free to pass on and refer them to us for further information.

Paul Wyatt *Ch. M. Buller*

 paul.wyatt@aimspi.com
 www.aimspi.com
 +66 (0) 8473 76036



Fee based, commission free, guarantees independency