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Market Snapshot

Published 23 January 2026

US allies gave a collective sign of relief as Donald Trump's rhetoric over Greenland spectacularly backfired following his visit to the World Economic Forum in Davos. However, the president was likely to have found some succour from a stronger-than-expected surge in US third-quarter GDP, which underscored the resilience of the world's largest economy even as inflationary pressures lingered. In the UK, a surprise uptick in CPI to 3.4% complicated expectations of early rate cuts, while softer producer-price data hinted at easing cost pressures beneath the surface.

The FTSE 100 was 0.9% lower over the week by mid-session on Friday, with the more UK-focused FTSE 250 trading down 0.2%.

Donald Trump & Davos

Donald Trump's return to Davos after a six-year absence cast a long shadow over this year's World Economic Forum, with his renewed "America First" agenda, aggressive push to acquire Greenland and escalating tariff threats setting the tone before he even arrived. His appearance – delayed by an aircraft malfunction en route - comes amid the deepest rift between Washington and Europe in decades, prompting European Union leaders to close ranks and vow an "unflinching" response to his Greenland ambitions.

However, Mr Trump rhetoric on Greenland changed significantly over the week. The US president abruptly retreated from his bid to take control of Greenland, publicly ruling out the use of military force and backing away from tariff threats after weeks of aggressive brinkmanship that alarmed Nato allies and sent shivers through global markets. In Davos, he disavowed the possibility of seizing the Danish territory by force – a reversal that followed intense internal pressure from advisers and fierce pushback from European leaders, US politicians and financial markets, all of which signalled that his Greenland gambit had become politically and economically untenable. Though he continues to frame the Arctic island as vital to US national security, Mr Trump's shift reflects a recognition that his strategy had backfired, prompting a rare bipartisan backlash at home and deepening distrust abroad, leaving his broader Greenland ambitions on far shakier ground.

Donald Trump's self-styled "Board of Peace" became one of the most contentious elements of his Davos agenda, promoted as a body to oversee Gaza's reconstruction but widely viewed by allies as an attempted rival to the United Nations. In Switzerland he formalised the board's launch, announcing plans to broaden its remit beyond Gaza while giving himself veto power over all decisions, sparking concern in European capitals already alarmed by his Greenland ambitions and tariff threats. Diplomats say the initiative highlights Trump's increasingly unilateral foreign-policy posture, with critics warning that the board's structure centralises geopolitical authority in the White House at a moment of deep transatlantic tension.

> **Bank of England governor Andrew Bailey said markets should take Donald Trump's increasingly confrontational rhetoric on trade and tariffs seriously.**

The International Monetary Fund (IMF) said in its World Economic Outlook published at Davos that global growth remains resilient but is set to slow modestly, as the initial boost from post-pandemic reopening and earlier trade front-loading fades amid persistent geopolitical and policy uncertainty. The IMF forecast world output growth of about 3.1% in 2026, with advanced economies expanding by only around 1.5% and emerging markets continuing to outperform at roughly 4%, while global inflation is expected to keep easing, albeit unevenly across countries. The IMF highlighted rising risks from protectionism, high public debt and financial market corrections, even as investment linked to artificial intelligence and technology is helping to support activity and productivity in some regions.

Policymakers were urged to rebuild fiscal buffers, preserve central bank independence and pursue structural reforms.

Bank of England governor Andrew Bailey said markets should take Donald Trump's increasingly confrontational rhetoric on trade and tariffs seriously, warning that it risks fuelling volatility, undermining global growth and exposing financial markets to abrupt repricing. Speaking in Washington, Mr Bailey said the prospect of renewed trade wars and economic fragmentation posed a clear downside risk for an open economy such as the UK, with tariffs unlikely to correct global imbalances and more likely to weigh on trade, investment and productivity. He cautioned that while the inflation impact of tariffs could be ambiguous, the broader market implications – weaker growth, strained supply chains and greater uncertainty for investors – were substantial, adding that sustained pressure on the multilateral system could leave asset prices vulnerable to disorderly adjustments if confidence ebbs.

Economics

US economic growth accelerated sharply in the third quarter of 2025, with updated figures showing real GDP expanding at an annualised 4.4%, up 0.1% from its previous estimate. This was also up from 3.8% in the previous quarter and marked the strongest performance in two years. The Bureau of Economic Analysis said the improvement was driven by robust consumer spending, stronger exports, increased government outlays and firmer business investment, while imports – a drag on GDP – declined. The upward revision from the initial estimate reflected stronger export and investment data, reinforcing the picture of an economy outperforming expectations despite policy cross-currents and lingering inflationary pressures.

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UK inflation edged higher in December, with the Consumer Price Index (CPI) rising to 3.4% year on year from 3.2% in November, driven largely by increases in airfares, tobacco duty and transport costs, while core inflation held steady at 3.2% – its lowest level since late 2024. Producer prices, meanwhile, painted a softer picture: PPI input costs fell 0.2% month on month and slowed to 0.8% year on year, signalling easing upstream pressures even as output prices remained subdued at 3.4% on the year. Taken together, the data suggest headline inflation is proving stickier than expected, but the cooling in producer costs reinforces expectations of a gradual disinflationary trend through 2026. Markets and analysts broadly anticipate the Bank of England will look through December's uptick and move closer to rate cuts later in the year, particularly as services inflation – a key measure of domestic cost pressures – remained contained.

UK labour market data released in January 2026 pointed to a further cooling in jobs conditions at the end of last year, with employment growth slowing, vacancies continuing to fall and unemployment edging higher from recent lows. The figures showed a loosening market as hiring demand softened and candidate availability increased, reflecting higher employer costs and weaker business confidence, while redundancies picked up modestly. Pay growth remained elevated but continued to ease, with average weekly earnings rising at a slower pace than earlier in the year as wage pressures gradually cooled in real terms.

Rightmove's House Price Index for December 2025 showed a sharper-than-usual seasonal fall in asking prices, underlining a subdued end to the year for the housing market after months of uncertainty. Average new seller asking prices fell by about 1.8% on the month, a bigger drop than the long-term December norm, leaving prices around 0.6% lower than a year earlier as sellers trimmed expectations to attract cautious buyers. The slowdown reflected reduced activity in the second half of the year amid higher borrowing costs and Budget-related concerns, though Rightmove said sales agreed over 2025 still slightly higher than in 2024.

European Union inflation eased further in December 2025, reinforcing the picture of cooling price pressures across the bloc as energy and goods costs continued to fall while services inflation remained relatively sticky. The harmonised index of consumer prices showed annual inflation broadly steady or slightly lower than in November, hovering close to the European Central Bank's 2% target, with declining energy prices and slower food inflation helping to offset persistent increases in services linked to wages and labour costs

China said its economy grew by 5% in 2025, meeting Beijing's official target of "around 5%", but the headline figure masked a clear loss of momentum and renewed questions over the data's credibility after growth slowed to a three-year low of 4.5% in the fourth quarter. The expansion was driven overwhelmingly by exports and manufacturing, which powered a record trade surplus of close to $1.2 trillion, while domestic demand remained weak, with retail sales slowing sharply and fixed-asset investment contracting for the first time in decades as the property slump deepened.

Companies

The earnings season ratchets up a gear next week, with updates from **Lloyds Banking Group**, **Mitie** and **Pets at Home**. **Ryanair**, **Wizz Air** and **easyJet** kick off reports from airlines, with IAG issuing its 2025 results in February. We assess the sector's prospects in: Airlines: turbulence and tailwinds in 2026.

Elon Musk confirming that **SpaceX** planned to go public in 2026 after more than two decades as a privately held aerospace giant. Reports indicate the initial public offering (IPO) could value SpaceX at around $1.5 trillion, as Mr Musk positions the company to raise unprecedented sums to fund its next phase of expansion. Analysts say the offering reflects SpaceX's shift from a launch-focused disruptor to a vertically integrated space-infrastructure powerhouse, powered by booming Starlink revenues and ambitious plans for orbital data centres that Musk claims will underpin the coming AI revolution. If successful, the IPO would cement SpaceX as one of the world's most valuable publicly traded companies and reshape the global space economy, potentially forcing smaller rivals to consolidate as the Starship-Starlink ecosystem scales. UK IPOs in 2026 – signs of a thaw?

Burberry's third quarter trading update offered early but encouraging evidence that the brand reset under chief executive Joshua Schulman is beginning to gain traction, even as overall demand in the luxury sector remains subdued. Retail revenue fell 7% to £659m in the 13 weeks to late December, but the key metric of comparable store sales declined by 4%, outperforming market expectations and marking a clear sequential improvement from the first half.

Experian reported a solid third-quarter performance, with revenue rising 12% at actual exchange rates, 10% at constant currency and 8% organically, driven by broad-based growth across regions and business lines. North America remained the standout performer, delivering 10% organic revenue growth thanks to strong financial services activity, expanding adoption of new cashflow products, and continued momentum in automotive and health solutions. Latin America grew 6% organically, while the UK and Ireland and EMEA/Asia Pacific each posted 3% organic growth. Management said full-year expectations remain unchanged as the company continues to leverage its data assets, technology platforms and emerging AI capabilities.

Associated British Foods, the parent company of Primark as well as grocery brands such as Kingsmill and Twinings, noted total sales were up just 1% in the 16 weeks to 3 January confirms there was just a 1% increase in total sales compared to the same period a year ago and like-for-like sales were down 2.7% in the period, in line with its recent profit warning. As well as weak start to the year at Primark, management said its Food businesses experienced "mixed trading," particularly in the US where consumer demand has continued to weaken. As a result, ABF now expects both its Grocery and Ingredients segments to deliver adjusted operating profit for the full year moderately below last year. Historically, management at Associated British Foods have consistently argued that they had no plans to spin off its Primark fast-fashion retailer from its diversified food businesses. However, it was mooted as a possibility last year, Nevertheless, there was no update today on any potential Primark de-merger in its latest update.

Kier Group said in a trading update that it continues to trade in line with expectations, underpinned by a record order book and a markedly stronger balance sheet as cash generation improved. The infrastructure and construction group said its order book rose to about £11.6bn as at the end of December, securing roughly 94% of expected FY26 revenue and providing strong visibility across core public-sector markets including transport, education, water, defence and nuclear. Performance in the first half was supported by further contract wins and disciplined execution, while Kier achieved an average month-end net cash position of around £15m, a key milestone compared with net debt a year earlier.

QinetiQ said its US business continued to face challenges in its trading update, citing delays to short-cycle contract awards, particularly in higher-margin product sales, amid a more cautious procurement environment. The group said these timing issues have weighed on near-term revenue visibility and margins in the US, prompting it to continue restructuring the division and narrow its focus onto core areas such as mission-critical services, advanced sensors and space and missile defence support. While longer-term programmes remain intact, management acknowledged that the slowdown in contract awards has pushed a greater proportion of earnings into the second half of the year, underscoring the uneven nature of demand and the need to reset cost structures to better align with the current US defence spending cycle.

DFS Furniture upgraded its outlook, saying strong first-half performance and disciplined execution have put the group on track to beat market expectations despite a challenging consumer backdrop. The sofa retailer said underlying pre-tax profit for the 26 weeks to late December is expected to rise to around £30m–£31m, helped by improving margins, cost control and a 2.3% increase in order intake across its

DFS and Sofology brands in what it described as a broadly flat market.

Ibstock said in a trading update that it delivered a resilient performance in 2025 despite a tougher backdrop for UK housebuilding, with revenue rising about 2% to roughly £372m as strong cost control and stable pricing helped offset weaker market conditions in the second half of the year. The brick and building materials group said volumes softened as uncertainty in the housing market weighed on demand, leaving total brick market volumes well below pre-2022 levels, but its clay market share increased - and earnings remained in line with guidance.

Galliford Try delivered a strong trading update for the first half, with performance ahead of last year and board expectations. The construction group said it now expects full-year revenue to land towards the upper end of market forecasts and adjusted pre-tax profit to come in slightly above the top end of projections, supported by its position on major long-term UK infrastructure frameworks and progress across enlarged water programmes.

Netflix delivered a strong fourth quarter, with revenue rising to $12.05bn and earnings per share coming in at $0.56, narrowly beating Wall Street forecasts. The streaming giant crossed 325m paid subscribers, buoyed by continued membership growth, higher pricing and a surge in advertising income, which topped $1.5bn for 2025. Net income jumped to $2.42bn, up from $1.87bn a year earlier, while operating income climbed to nearly $3bn. However, despite the upbeat numbers, shares slipped in after-hours trading amid concerns over softer guidance and the company's planned all-cash purchase of Warner Bros. Discovery's studio and streaming assets.

Johnson & Johnson delivered a strong fourth quarter, with sales rising 9.1% to $24.6bn and net earnings jumping 49% to $5.1bn, driven by robust growth in oncology and immunology despite steep declines in Stelara from biosimilar competition. Flagship drugs such as Darzalex and Tremfya posted double-digit gains and MedTech sales advanced on the back of acquisitions and cardiovascular demand. The company described 2025 as a "catapult year", citing pipeline momentum and major R&D investments, and issued upbeat 2026 guidance.

Intel reported a mixed fourth quarter, beating Wall Street expectations with revenue of $13.7bn and adjusted earnings of $0.15 per share, even as total sales slipped 4% year on year and the group posted a net loss of $600m. The chipmaker credited stronger data-centre and AI-related demand for the revenue beat but warned that industry-wide supply shortages would drag on first-quarter performance, guiding for weaker revenue of $11.7bn–$12.7bn and breakeven earnings.