

**MARKETS HOLD STEADY AS US FOREIGN ADVENTURES DOMINATE THE START OF 2026**

This week markets were remarkably calm in the face of dramatic US intervention in Venezuela. President Donald Trump's Caribbean adventures had little immediate impact on global markets. The pledge to take control of Venezuela's oil industry and the seizure of a handful of oil tankers may cause a headache for countries trying to get round sanctions, but they barely influenced global oil prices. Venezuela holds vast oil reserves, but its annual output is modest (around 1% of global production) and boosting capacity would require substantial time and investment. The only sign of movement in defensive assets was in the rising price of gold.

The longer-term implications of US actions are likely to be more significant. Outcomes remain highly uncertain given the number of variables and stakeholders involved. For now, global equities have gained and bonds remain stable. A cynical approach would be to put this down to complacency. But with uncertainty high, investors are responding to available information and will reassess when the outlook becomes clearer.

THE MARKETS THIS WEEK

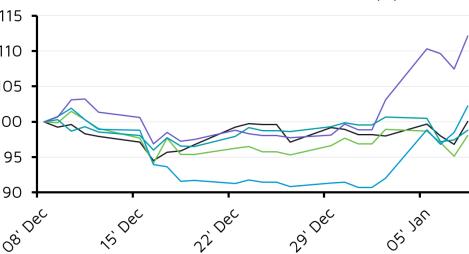
FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
+0.39%	+1.13%	+0.75%	+1.58%	+0.76%	+0.02%	-0.07%	+1.91%	+3.37%	+2.16%	-0.55%

VENEZUELA: MARKETS CALM IN THE FACE OF US INTERVENTION

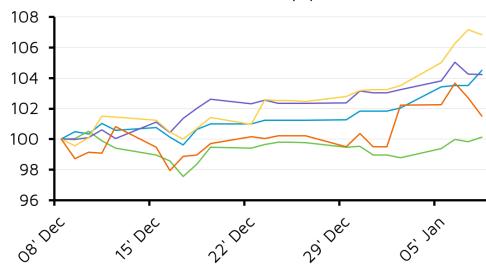
 Global markets have been notably calm following the US capture of Venezuelan president Nicolas Maduro. The surprise intervention resulted in Maduro and his wife appearing in a New York courtroom on drugs and racketeering charges after US forces seized them in a raid on the presidential compound in Caracas. This was a big escalation in the US pressure on the country following the seizure of several oil tankers accused of breaking global sanctions. Although Venezuela has the world's largest oil reserves there has been little movement in the price of oil as Venezuela's current output is relatively small and global oil supply is expected to exceed demand growth this year. Venezuela's oil infrastructure also needs considerable investment after years of neglect.

China condemned the intervention though Western allies offered only muted responses and markets were largely unmoved. US oil majors gained as Washington pressured them to help fund the modernisation of Venezuela's oil infrastructure in return for commercial rights.

S&P 500 Upstream, Midstream, Downstream and Services Oil & Gas Subsectors Rebased (%)



S&P 500, Hang Seng, FTSE 100 and FTSE Nordic 30 Rebased (%)

**GLOBAL: EUROPEAN MARKETS LEAD EQUITIES HIGHER**

Global equity markets have had a bright start to 2026, despite geopolitical tensions and disappointing US economic data. Europe and China have delivered some of the week's standout gains. In Europe, sentiment has improved as investors respond to a brighter growth outlook, with Germany expected to lead the region. Berlin has reiterated its commitment to modernising infrastructure and lowering energy costs, helping the DAX outperform. Eurozone banks and defence sectors were among the best performers.

In China, investors have welcomed promises of government support for key industries and an expectation that the central bank will ease interest rates and encourage more bank lending. More active retail investors have also helped lift the CSI 300 to a four-year high, following successful IPOs by several Chinese artificial-intelligence firms. Gains in the UK and US were more modest, though the S&P 500 still reached a new record and the FTSE 100 crossed 10,000 points for the first time.

AUTOS: EVS GAIN MARKET SHARE BUT CAR SALES TIPPED TO FALTER

 Rising prices, falling consumer confidence and concerns about affordability are expected to see new car sales in the US fall for the first time since 2022. Cox Automotive forecasts sales of 15.8m units in 2026, down from 16.3m in 2025. Electric vehicle sales are expected to fall faster than combustion engine cars as government subsidies are withdrawn and US manufacturers scale back their EV production plans.

Elsewhere, EVs continue to gain market share, with China's BYD becoming the world's largest EV maker. Tesla's global sales fell 9% in 2025 to 1.8m units, while BYD's sales rose 28% to more than 2.2m. Global EV growth is expected to slow in 2026 with annual sales tipped to rise about 13% to 24m. Sales increased by 22% in 2025. In China, growth is set to cool as the government scales back some incentives. European sales are also forecast to slow as the EU extends its timetable for phasing out combustion engines. In the UK, a surge in Chinese imports drove a sharp rise in EV sales in 2025.

Data sourced from FE Analytics

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FTSE Automobiles & Parts Indices for China, EU, UK and US Rebased (%)

