

**MARKETS STEADY BUT EUROPEAN LEADERS APPEAR WRONG-FOOTED BY TRUMP'S DAVOS ADDRESS**

This week Donald Trump's belligerent attitude towards Greenland rattled equity and bond markets and sent the dollar lower before his U-turn on using military force saw markets reverse course. The threat of punitive tariffs on countries which voiced support for Denmark was also dropped. However, the sense of uncertainty caused by the Trump administration in recent weeks hasn't dissipated as Trump used his address at the annual World Economic Forum in Davos to step up his criticism of many European and Nato allies.

The administration's willingness to revisit punitive tariffs before last year's agreements are even signed was widely seen as supporting Canadian prime minister Mark Carney's view that the world is facing a rupture rather than a transition from the previous order, as existing economic and military alliances are called into question. European leaders appear unsure whether to stand up to Trump's belligerence or keep their heads down to avoid escalation. Although markets recovered most early-week losses, investors noted rising uncertainty, with gold on track for another gain.

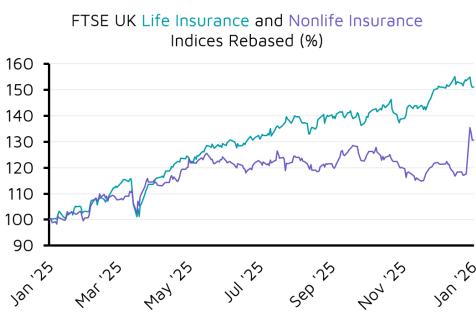
THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
-0.69%	-0.97%	-1.20%	-0.87%	-0.22%	+0.07%	+0.08%	+0.36%	+5.84%	-0.96%	+0.91%

**GLOBAL: MARKETS STEADY AS TRUMP RULES OUT MILITARY FORCE**

Global equity and bond markets recovered after US President Trump ruled out using military force to take Greenland. Markets had fallen sharply earlier in the week after he floated the option but recovered some losses when he used his World Economic Forum speech in Davos to row back. He later also agreed to scrap the additional tariffs he had threatened to impose on European countries, including the UK, for backing Denmark and agreed to start negotiations on updating the 1951 agreement, which covers US military presence in Greenland.

A step up in US technology stocks towards the end of the week added to the general relief rally trimming the losses in US equities. Easing tensions also helped European stocks, although most markets remained on track for a weekly loss. Despite the easing over Greenland, Trump's Davos speech was confrontational towards European allies and gold held onto its earlier gains, having climbed £200 per ounce to £3,654.

**INSURANCE: LONDON ENJOYS A BOUT OF DEALMAKING**

Dealmaking in the UK insurance market is off to a firm start. Zurich went public this week with a £7.7bn cash offer for Beazley at a 56% premium. Beazley shares rose 42% on the news, before later trimming gains. Beazley has rejected the bid, saying Zurich had tabled a better offer in June. Zurich aims to strengthen its position in the Lloyd's of London specialty market and is preparing its first Lloyd's syndicate as an alternative route. London-listed peers Hiscox and Lancashire also rallied.

Elsewhere, Netherlands-based Aegon is weighing a sale of its £2bn UK insurance unit, drawing interest from Phoenix, Scottish Widows, Royal London, and private-equity investors including CVC. Recent UK activity includes Chesnara's £260m purchase of HSBC Life UK and Aviva's acquisition of AIG's UK protection book. Elevated profits helped British insurers outperform in 2025, and brokers expect the trend to continue through at least 2027.

DEFENCE: GEOPOLITICAL TENSIONS SEND SHARES SOARING

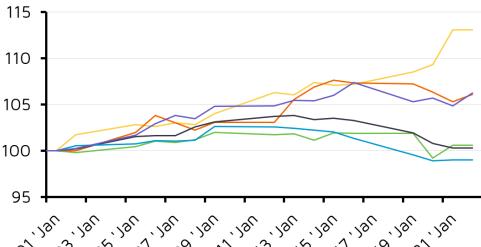
 Geopolitical mayhem has helped defence shares. This year started with the overnight capture of Venezuela's president by the US after a naval oil blockade. Trump also threatened to attack Iran amid deadly protests and sent an armada their way, just as he renewed his push to acquire Greenland for "national security," alienating European allies. In Japan, prime minister Sanae Takaichi's comments that a Taiwan attack could constitute a survival-threatening situation for the country, roused Beijing into curbing travel to Japan, placing broad export controls on "dual use" items, including rare-earths, designed to pinch Japan's defence-relevant supply chains.

The EU has pushed to buy European defence kit to reduce US dependence, supporting the sector in Europe, with Italian and German arms makers gaining double digits, and the French lagging. Asian weapons makers outperformed their European counterparts, boosted by Takaichi's plans to increase defence spending and her favourable place with the voters.

Data sourced from FE Analytics

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S&P 500, Cac 40, Dax, Nordic 30 and Topix
Equity Indices and Gold Rebased



FTSE Aerospace & Defence Indices of UK, Italy, France, Germany and Asia-Pac Rebased

