



# INVESTMENT INSIGHTS

JANUARY 2026

**Mackay Private** Wealth

# OVERVIEW

## MUTED FINISH TO A STRONG YEAR

Markets ended December quietly, with most major indices finishing near flat. Asian markets outperformed again, supported by strong AI related semiconductor demand.

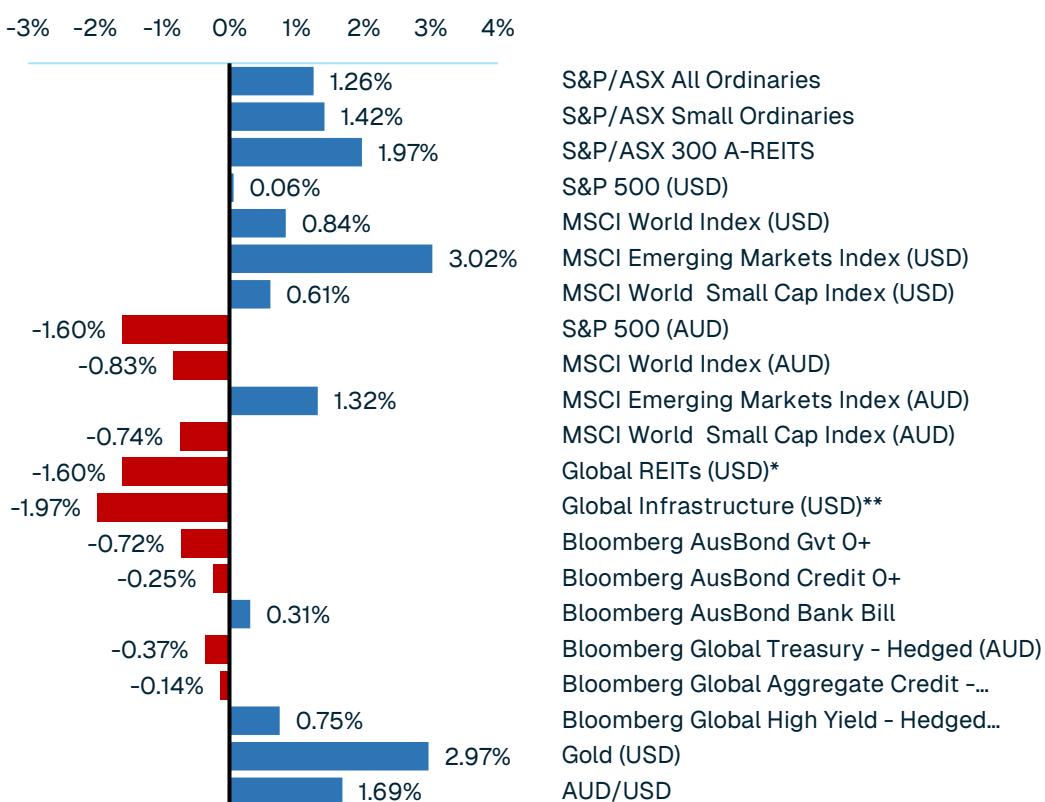
Central banks continued to shape sentiment. The US Federal Reserve and Bank of England cut rates as inflation eased, while the RBA held steady and warned that rising price pressures remain a concern. This raised speculation about rate hikes in 2026 and lifted the Australian dollar to \$0.67.

Despite political tension and policy uncertainty, 2025 was constructive for growth assets, with global equities up 18% (AUD hedged). Volatility persisted, particularly early in the year, yet solid business activity and strong investment in artificial intelligence supported markets. Notably, the highest quality companies generally underperformed during 2025, leading many to call it a junk rally.

Looking to 2026, the backdrop remains encouraging. The forces supporting the economy, including fiscal and monetary policy, solid fundamentals and transformational technology, remain firmly in place. The key question is how long they can continue to support markets.

Equity returns may soften from 2025 levels, but opportunities across fixed interest, property, infrastructure and private equity look appealing. The Advisory Board meets in two weeks to discuss these opportunities and positioning for 2026. A summary of the insights and any portfolio adjustments will be shared in early February.

**Market Returns (%), December 2026**



# KEY MARKET DEVELOPMENTS

## Global Equities

Global equities ticked higher +0.8%, though a stronger AUD erased gains for local investors. Emerging markets outperformed, rising +3% on strength from AI-exposed markets in East Asia.

## Australian Equities

The ASX 200 rose +1.3%, driven by Resources as firmer commodity prices boosted earnings. Small caps gained +1.4%, supported by stronger gold, lithium and copper prices.

## Bond Markets

US long-dated yields remained elevated on persistent inflation uncertainty. Australian yields rose +0.3% as price pressures lingered. Long-dated Australian bonds continue to trade at a premium to global peers: 4.8% v 4.1%

## Commodities

Gold climbed +3.0% on geopolitical tensions and a softer USD. Industrial metals strengthened, with iron ore up +1.9% on resilient demand. Oil fell -2.3% amid oversupply concerns, helping ease inflation pressure.

## Monetary Policy

The RBA kept rates on hold as it works through volatile CPI data, though market pricing now implies a risk of a 2026 hike. The US Fed cut for the third time in 2025 to 3.50%–3.75%, balancing weak job growth against stubborn inflation, with gradual easing likely.

The upcoming change of Fed chair in May, alongside rising political pressure on the institution's independence may briefly unsettle markets.



# WHAT'S CAUGHT OUR EYE

## Forecasts & Reality

Warren Buffett once said, "Forecasts may tell you a great deal about the forecaster; they tell you nothing about the future."

Too many headline predictions come from commentators who do not manage money, do not understand the history of markets, and carry no accountability.

A good financial adviser cuts through the noise so you can focus on what matters.

## What Matters: Realistic Expectations

Long-term gains in the share market require accepting short-term discomfort.

Across the past century, the share market has seen average annual drops of more than 10%, yet long-term investors have continued to earn strong double-digit returns.

Even standout years have rough moments.

In 1997 the S&P 500 gained more than 30% despite a 7% fall in a single day.

Realistically, a 10% pullback in 2026 should be expected.

Our next quarterly report will look at why the US midterm elections could make this year particularly choppy and how to be confidently positioned through it.

BUSINESS

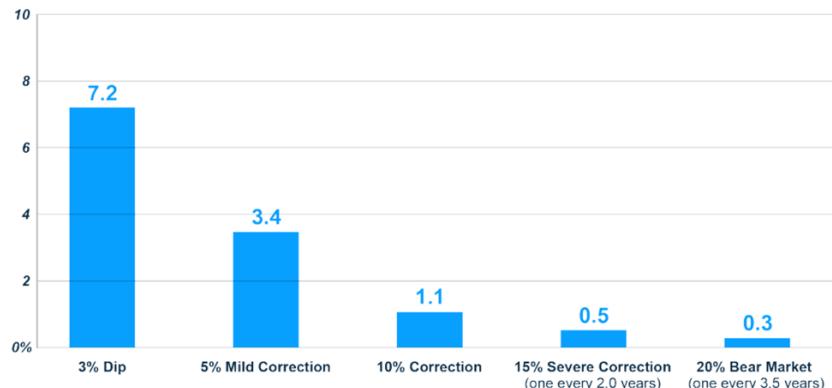


## 2024 will be the 'biggest single crash year in our lifetimes,' economist warns: 'Do not listen to your financial adviser'

By Kristen Altus, Fox Business  
Published Dec. 19, 2023, 11:37 a.m. ET

## Volatility Is The Toll We Pay To Invest

S&P500 Various Declines Per Year (1928-2024)



Source: Carson Investment Research, December 2025



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