Weekly round up (Week 3)

The term "resilience" best describes the behavior of financial markets during a week that once again saw investors' attention focused on international and domestic politics, between expected headlines and unexpected developments.

Internationally, investors closely followed the news to determine whether social unrest in Iran could trigger global intervention. Iran exported approximately 1.375 million barrels per day (mbpd) of oil in December. [1] According to our rough rule of thumb that a 1 mbp change in supply equates to a price change of ± US$3 per barrel, this implies a potential increase in energy prices of around US$4 per barrel, which is broadly in line with the change seen in Brent prices since the start of the year. Investors in the energy sector have also been closely monitoring developments in Venezuela. This week, President Trump met with Venezuelan opposition leader María Corina Machado at the White House, where she symbolically presented him with her 2025 Nobel Peace Prize medal in recognition of what she described as his support for Venezuela's freedom and his decisive action during the country's political crisis. Trump publicly hailed the gesture as "a wonderful sign of mutual respect." [2]

At the same time, the United States has stepped up its effective blockade of Venezuelan oil exports by targeting the "ghost fleet" of tankers used to transport sanctioned crude. US forces have seized six ships in recent weeks as part of this crackdown, underscoring Washington's efforts to restrict unauthorized oil flows and tighten control over Venezuela's energy exports.

In the longer term, the Trump administration has signaled its intention to maintain long-term oversight of Venezuelan oil sales, positioning the US as the central authority responsible for coordinating and approving future exports. From a geopolitical perspective, this would significantly expand the US's influence over global oil markets, given that the US and Venezuela account for approximately 24% of global reserves. Adding Iran's known reserves, US influence would extend to nearly 40% of global oil reserves—although it is important to note that these figures are theoretical, as the vast majority of these resources are not yet developed and remain in the ground. [3] Nevertheless, the scale of such potential influence is likely to worry China and other major energy-importing nations. **See chart of the week.** [3]

As if that weren't enough to assert his influence over global energy, President Trump has reaffirmed that Greenland is vital to national security, urging NATO to support his efforts to increase U.S. control over this Arctic territory. This statement follows a meeting last week between Vice President JD Vance, Secretary of State Marco Rubio, and the foreign ministers of Denmark and Greenland. Following the discussions, the parties agreed to set up working groups to explore various avenues. However, the Danish foreign minister stressed that a fundamental disagreement with the US remained, adding that any demands that violated the sovereignty of Denmark or Greenland were “totally unacceptable.” [4]

Greenland's importance lies in its strategic position: it is located between North America and Europe, providing a key point for monitoring the Arctic and North Atlantic. Its proximity to Russia allows the United States to track military activities, including submarines and missile tests, both during the Cold War and today. Furthermore, as climate change opens up new Arctic sea routes, Greenland is becoming a key point for controlling new air and sea spaces.

On another front, general elections are now expected in Japan. Prime Minister Takaichi is expected to dissolve the lower house shortly after it reconvenes on January 23, hoping to capitalize on her high popularity ratings and strengthen her slim parliamentary majority. If called, the elections could take place between early and mid-February. This announcement prompted investors to reinforce what is known as the “Takaichi trade,” based on the anticipation of stable governance combined with proactive fiscal policies aimed at supporting economic growth. [5] This sentiment contributed to the underperformance of Japanese government bonds during the week, with the 10-year yield rising 9 basis points, while equities outperformed, with the Nikkei 225 gaining more than 5% over the same period.

While US investors await Supreme Court decisions on the legitimacy of tariffs and the Lisa Cook case, the White House maintains that allegations related to mortgage loans justified her dismissal. In a surprise move, Jerome Powell informed investors that the Federal Reserve (Fed) had received subpoenas to appear before a grand jury, which could lead to criminal charges related to his testimony on renovations to the central bank's headquarters. Powell described the subpoenas as “ongoing pressure” from the administration on interest rates. [6]

The questioning—or potential erosion—of central bank independence represents a major extreme risk for the United States in 2026. However, the muted market reaction is likely due to the harsh criticism from several Republican senators, including Senator Thom Tillis, a member of the Senate Banking Committee. In addition, President Trump announced that he had no intention of firing Powell, which helped to ease market concerns.

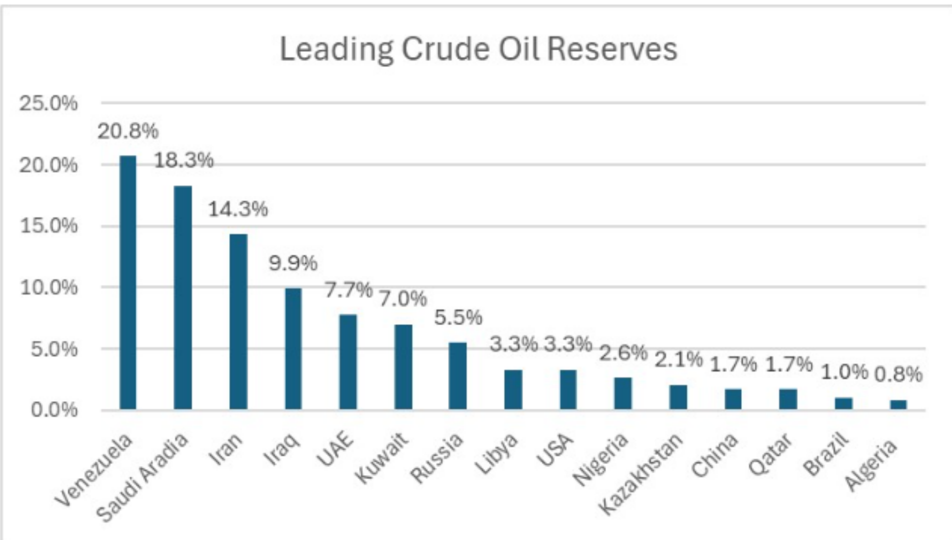
Given the magnitude of recent headlines, investors may be surprised to find that our preferred indicators of equity and government bond volatility—the VIX and MOVE indices—remain low, signaling a high level of confidence and a favorable environment for risk-taking. This is likely because, while dramatic, these developments are unlikely to significantly affect economic growth or inflation. Moreover, economic data, which has taken a back seat in this geopolitics- and headline-driven environment, paints a picture of robust global activity and price normalization.

Last week, China announced higher-than-expected export growth for December, indicating that its export engine continued to support the economy in the last quarter of 2025. Non-US markets once again more than offset the decline in exports to the US due to tariffs, thanks to the normalization of global trade. [7]

In Europe, after two years of contraction, the statistics office confirmed a slight increase in GDP in 2025. German GDP rose by 0.3% compared to the previous year. Consensus projections for 2026 are even more optimistic, at around 1%, as lower interest rates, higher real incomes, and fiscal spending are expected to stimulate growth. In the United Kingdom, investors were surprised by better-than-expected GDP in November, suggesting that the economy managed to grow in the last quarter of 2025. Momentum is expected to pick up in 2026 as fiscal uncertainty eases and inflationary pressures recede. Consensus growth estimates for the UK are also around 1%.

In the US, the December consumer price report confirmed that the impact of tariffs had peaked. The headline CPI rose by only 0.31%, while core CPI rose by 0.24%, both well below expectations. [9] Although a weaker labor market remains a key risk to the US economy, new weekly jobless claims fell to 198,000 for the week ending January 10, bringing the four-week moving average to 205,000, its lowest level in nearly two years. The NFIB Small Business Optimism Index rose slightly, reflecting more favorable expectations for future economic conditions. The NFIB Small Business Optimism Index rose slightly, reflecting more optimistic expectations for future economic conditions. [10] Activity indicators confirm this trend: the New York Fed's Empire State Manufacturing Survey rose to 7.7 in January, and the Philadelphia Fed's survey rose to 12.6, both signaling a recovery in economic activity.[11]

Chart of the week: Will the US control global oil reserves?



Note: Data excludes oil sands, which are mainly exploited by Canada.

Source:OPEC (Organization of the Petroleum Exporting Countries)/CNN, as of January 3, 2026

[1] Bloomberg, as of January 16, 2026

[2] Bloomberg, “Trump Praises Venezuela’s Machado for Giving Him Her Nobel Medal,” January 15, 2026

[3] CNN Business, “Trump says US is taking control of Venezuela’s oil reserves. Here’s what it means,” January 3, 2026

[4] Newsweek, “Denmark Says It Has ‘Fundamental Disagreement’ With US After Talks,” January 14, 2026

[5] UBS Global Research, as of January 16, 2026. Japan Equity Strategy & Thematic Research.

[6] Bloomberg, “Powell Probe Stirs Republican Outcry, Jeopardizing Trump Agenda,” January 12, 2026

[7] Bloomberg, “CHINA REACT: Upside Export Surprise Hints at Resilient 2026,” January 13, 2026

[8] Bloomberg, “GERMANY REACT: Modest 2025 Growth, Fiscal Help to Spur Rebound,” January 15, 2026

[9] Bloomberg, “US REACT: Weak CPI Adds to Proof Tariff Pass-Through Has Peaked,” January 13, 2026

[10] National Federation of Independent Business (NFIB), “Uncertainty declines to lower level since June 2024,” January 13, 2026

[11] Deutsche Bank, “Early Morning Reid, Macro Strategy,” January 16, 2026