REVIEW OF 2025 – OUTLOOK FOR 2026

The table below sets out the quarterly open and closing values for the FTSE All-Share Index as well as the highs and lows in each quarter to highlight the changes for 2025.

Quarter	Open	Close	High	Low	Return year to date
January – March	4467	4623	4784	4454	3.49%
April - June	4623	4772	4823	4151	6.83%
July - September	4772	5061	5061	4774	13.30%
October – December	5061	5350	5356	5057	19.77%

2025 was a year where the World waited for the USA to clarify their position on trade tariffs (which were announced on "Liberation Day") and with many commentators concerned with the impact tariffs were expected to have on inflation. In turn, central banks became cautious over the speed and rate of interest rate cuts, though the direction of travel was not in doubt. Global economic growth over 2025 fell compared to the year before, and the forecast for 2026 is expected to be lower still. However, equity markets and most asset classes outperformed expectations, despite the economic backdrop, and this is very much built on the outlook for AI (Artificial Intelligence) and all areas that may be positively impacted by it.

The Trump administration was pivotal in influencing predominantly EU countries reassessing defence spending as the USA signaled their reluctance to continue being the mainstay for NATO. This benefited the defence sector and other sectors associated with the supply chain.

Looking ahead to 2026, global economic growth is expected to be positive, helped by further interest rate cuts expected in the USA and in the UK, with the EU likely to keep interest rates where they are for the time being. Inflation is slowly coming down globally, although very mixed for individual countries. Despite the economic backdrop, most forecasters see asset values increasing, but there are understandable concerns that valuations for AI related stocks, in particular, are starting the year at all-time highs. The impact of this is that, if a company does not perform as expected, even if profits and future growth expectations are good, the share price can be punished as recently seen with Oracle.

There is no doubt that valuations in certain countries and certain sectors are high, which inevitably leads to speculation that the market may suffer a correction. The theme of AI increases this concern, but there are key differences. Many of the companies are cash-generative and they are using this to invest in the first step, which is establishing data centres. There is no doubt that AI is here to stay and it will be the new industrial revolution. However, markets can run ahead of themselves and so "pullbacks" in valuations are likely. We continue with the theme of global equity and mixed asset funds as the mainstay of client portfolios.

We wish you and your family a happy and healthy 2026.

5th January 2026