RAYMOND JAMES

Alarums and excursions

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In its heyday, players and audiences at London's Globe Theatre would be only too familiar with alarums and excursions, a stage direction signifying noisy, frantic and typically disorganised activity. The instruction may have its roots in the golden age of Elizabethan England but fast forward six hundred years and we find ourselves plunged once again into a period of myriad and at times chaotic uncertainty.

As ever, the leading actor in a long list of dramatis personae is US President Donald Trump. Espousing his America First agenda and leaning heavily on an updated version of the 1823 Monroe ("Don-roe") doctrine, opposing foreign interference in the US hemisphere of influence, US forces ruffled feathers when removing Venezuelan President Maduro and his wife Ms Cilia Flores to face charges of alleged narco-terrorism and other corruption. As a major oil producer financial markets flickered, but only briefly, stock and bond markets around the world apparently comfortable with a military extraction carried out with surgical precision.

It is not clear what other plans President Trump has in the wings, but it was a busy January. Not content with the brief, but violent, foray into Latin America, Team Trump then turned its attention northwards to Greenland. What better place to drive an alternative geoeconomic agenda than the annual World Economic Forum at Davos, the epicentre of globalist thinking?

> *"All the world's a stage"*
>
> **William Shakespeare**

Surrounded by senior US officials only too keen to play their part, President Trump pushed strongly to wrest control of Greenland from Denmark citing geostrategic and rare earths mining imperatives for so doing, whilst simultaneously threatening to slap additional trade tariffs, on eight European countries, including the UK, if they didn't comply.

Cue uproar! Leaders from the worlds of business and finance, their sensibilities shaken by what they saw as the President's presumptuous impertinence, were both shocked and angered, so much so that European Central Bank President Ms Christine Lagarde reportedly (without confirmation) walked out of a closed-door diner hosted by US Commerce Secretary Mr Howard Lutnick. But at least part of that outrage stems from impotence. When it comes to escalatory dominance, the US has all the good cards to play. In trade Europe is a net exporter; in technology it relies on US systems in the absence of its own; in energy, now that all natural gas ties with Russia have been severed, it relies on that supplied by the US and elsewhere; in finance it is deeply embedded in the US sphere of influence and in defence it is entirely reliant on the US for its continued support in Ukraine and NATO, in addition to the armaments essential for self-defence, and indeed the defence of Greenland should it come to that. European leaders may threaten retaliation but in reality an as yet unused Anti-Coercion Instrument (trade bazooka) would cause more problems than it resolves. Financial markets were shaken by events in Switzerland, but they too proved a temporary diversion. Geopolitical risks may have risen, but if deemed insufficient to deliver a lasting blow to the generally constructive outlook, they can be passed over.

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And what of the UK in all this? EU/US relations are at a low ebb right now and when it comes to perfidy a wary Washington DC typically looks no further than Albion. Prime Minister Sir Keir Starmer has taken a delegation to curry favour with China's President Xi perhaps unmindful of the White House threat to heap additional tariffs on Canada for having the temerity to mull, briefly, a trade deal with the Asian behemoth. Chancellor Ms Rachel Reeves received a glancing blow from a forthright Mr Lutnick at Davos, but she'll get over it. After all, the index of Britain's leading one hundred companies has crossed the 10,000 threshold for the first time and with spring just around the corner the domestic economy is displaying some slender green shoots. The public finances, although fragile, are in less bad shape than they were, business surveys are pointing to economic expansion going forward and inflation, although sticky, is thought likely to fall, particularly after April at which point last year's regulatory and other price increases drop out of annualised consumer price calculations. In consequence and having cut interest rates on six occasions already, now down to 3.75%, the Bank of England is thought likely to go further still in coming months, albeit that February feels a bit too soon.

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On the foreign exchanges sterling has recovered its poise, making ground against the euro and more particularly the US dollar. The latter's weakness, a re-run of that which formed part of proceedings in the first half of last year, has proved a boon to precious metal prices with both gold and silver making strong upward headway, and to those emerging markets with strong ties to the US currency. But it is to Japan that the eyes of investors with broadly diversified portfolios have turned. Recently appointed Liberal Democratic Party Leader Ms Sanae Takaichi has called for snap elections in the country's lower parliamentary house for 8th February and has pledged a substantial package of reflationary measures in the hope of delivering her Party to victory. Japanese stocks have proved resilient, but borrowing costs have soared and the yen weakened as markets fear unbridled fiscal expansion against a backdrop of already mountainous indebtedness. In plunged President Trump again, arguing on this occasion that the US economy needs a weaker dollar irrespective, it seems, of possible inflationary consequences down the road. US and Japanese authorities may or may not have intervened in support of the yen (Treasury Secretary Mr Scott Bessent insists to the contrary), but the mere threat has served to support the Japanese currency and drive the dollar lower.

As goes January, so goes the year as the age-old stock market saying goes. If the experiences over the first month of the year hold true markets are likely in for another roller coaster ride over 2026. In such circumstances your wealth manager can act as a far from unexpected *deus ex machina*. Boasting a wealth of experience garnered over years of sometimes treacherous conditions what better steady hands exist to guide you towards fulfilling your investing objectives?

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