

Recession, anyone?

Published: January 13, 2026, 2:30 pm

As the [FT notes this morning](#):

Japanese stocks plummeted on Monday, sending the Nikkei 225 index down more than 12 per cent as global markets were rattled by the prospect of a US recession.

In a rout that produced declines in other Asian markets, Japan's broad Topix closed down 12.2 per cent, wiping out gains for the year. The Nikkei 225 [suffered its biggest one-day points fall](#), plunging more than 4,450 points and passing the 3,836 lost on "Black Monday" in October 1987.

The chart looks like this:



All Asian markets were hit in the same way.

The reason is that traders believe that the US is heading for recession.

The explanation is consistent: the Federal Reserve has left it too late to cut wildly over-inflated interest rates.

And if that is the belief about the US, it is going to doubly so be the belief about the UK, which is looking a lot more vulnerable to the excesses imposed upon it by the Bank of England, which has been out of control throughout the current inflationary period, getting just about every policy decision wrong.

There may, of course, just be a stock market crash to deal with. We have had them before. I well recall those from 1987 and onwards. But, they always leave an aftermath because what they actually represent is a loss of confidence following a period of exuberance.

As I have long maintained, stock market prices in major markets have looked overvalued for considerable periods of time now. You cannot have the world facing all the issues it does, from war, to Trump, to trade war, to climate change, and more, and have stock markets at record highs. That has never made any sense at all.

So, the day of reckoning has arrived. There may be a correction. There could be something much worse. I have no idea. Nor has anyone else. Markets will act irrationally while this goes on.

But what I do know is that none of this will help Rachel Reeves achieve her goal of growth. That can't happen without major government intervention against a background of stock market panic.

Has Reeves got a Plan B for when her anticipated growth does not materialise? It looks like she will need to use it very soon.