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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"Everything's fine today, that is our illusion." Francois-Marie Arouet De Voltaire

MARKETS

Macro Recap: Pending Home Sales for November rose 3.3% month-over-month and 2.6% year-over-year, reaching 79.2, the highest level since early 2023. Gains were broad-based, supported by lower mortgage rates and improved affordability.

The MNI Chicago PMI climbed to 43.5 from 36.3, signaling some stabilization but still deep contraction, with new orders and production remaining weak.

The S&P Global U.S. Manufacturing PMI eased to 51.8 from 52.2, indicating continued expansion but at the slowest pace in five months. New orders fell for the first time in a year, exports stayed soft, and output growth slowed, while employment strengthened and input cost inflation moderated.

Equity Recap: U.S. equities ended the holiday-shortened week on a softer note as light trading volume and a lack of catalysts left markets drifting lower, erasing much of the prior week's gains. The anticipated Santa Claus rally failed to materialize, with investors still searching for direction.

For the week, the S&P 500 fell 1.0%, the Nasdaq Composite dropped 1.5%, and the Dow Jones Industrial Average slipped 0.7%. Small- and mid-cap benchmarks also declined, with the Russell 2000 down 1.1% and the S&P Mid-Cap 400 off 0.7%.

For the year, the S&P 500 delivered a 17.9% total return, marking a third consecutive double-digit gain but trailing 2024's 25% and 2023's 26.3%. Mega-cap tech, the "Magnificent Seven", continued to dominate, contributing 42% of the index's return in 2025 and lifting their share of market cap to 34.9%, up from 33.5% a year earlier.

Bond/Rate Recap: U.S. bonds delivered a return of more than 7% in 2025, a year marked by shifting expectations for inflation and monetary policy. The 10-year Treasury yield peaked at 4.80% in January, briefly dipped below 4.00% in October, and ended 2025 at 4.16%, down from 4.57% at the close of 2024.

Week Ahead: Friday's labor market report will reveal whether recent softness persisted into December. The prior update, delayed by the government shutdown, showed unemployment rising to 4.6%, the highest since 2021, as the economy added 64,000 jobs following a 105,000 decline the month before. Job growth has been negative in three of the past six months, underscoring ongoing labor market challenges.

INDICES

	Dec 29 Open	Jan 2 Close	Weekly Change	Dec 31 2025	YTD Change
DJIA	48,711	48,382	-0.7%	48,063	0.7%
S&P 500	6,930	6,858	-1.0%	6,846	0.2%
NASDAQ	23,593	23,236	-1.5%	23,242	0.0%
Russell 2000	2,534	2,508	-1.0%	2,482	1.1%
KBW Bank Indx	168.3	167.1	-0.8%	164.0	1.9%
Bitcoin	$87,506	$91,275	4.3%	$87,648	4.1%
Oil (WTI)	$56.74	$57.32	1.0%	$57.42	-0.2%
Gold	$4,533	$4,332	-4.4%	$4,319	0.3%
Prime	6.75	6.75	0.00	6.75	0.00
Effective Fed Funds	3.64	3.64	0.00	3.64	0.00
3m Tbill	3.62	3.61	-0.01	3.63	-0.02
2yr UST	3.48	3.47	-0.01	3.47	0.00
10yr UST	4.13	4.19	0.06	4.17	0.02
2-10yr UST Spread	65	72	7	69	3
2y AAA Muni/10y UST	69.7%	70.0%	0.3%	70.3%	-0.3%
10y AAA Muni/10y UST	66.0%	64.9%	-1.1%	65.4%	-0.5%
5yr Inflation Forecast	2.25	2.29	0.04	2.27	0.02

Week Ahead

- **Monday:** ISM manufacturing index
- **Tuesday:** No major reports
- **Wednesday:** JOLTS, ISM non-manufacturing index, Factory orders
- **Thursday:** Trade balance, Consumer credit
- **Friday:** Unemployment report, U of M consumer sentiment, Housing starts

***Could be delayed or canceled**

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