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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"Any fool can make something complicated. It takes a genius to make it simple." Woodrow Wilson Guthrie "Woody"

MARKETS

Macro Recap: Economic data last week reinforced signs of a cooling labor market. Friday's jobs report showed the economy added just 50,000 jobs in December, well below expectations, while prior months were revised down by 76,000 jobs. For context, payroll gains averaged 49,000 per month in 2025, less than one-third of the 168,000 monthly average in 2024, underscoring a meaningful slowdown in hiring momentum.

Despite labor market headwinds, consumer sentiment improved for the second straight month, reaching its highest level in four months. The University of Michigan's preliminary January reading rose to 54.0, up from 52.9 in December, signaling cautious optimism after several months of declines tied to weakening job growth.

Commodity markets were volatile amid geopolitical developments. Crude oil prices swung sharply, dipping to $56 per barrel midweek before rebounding to $60 by Friday, posting a 3% weekly gain. Precious metals extended their rally from late 2025: gold traded above $4,520 per ounce, near a record set two weeks ago, while silver surpassed $80 per ounce for the first time on Tuesday and held just below that level by week's end.

Equity Recap: Equities continued their strong start to 2026 with a broad-based rally. The S&P 500 and DJIA set multiple record highs, driven early in the week by rotation into cyclical sectors and later by selective mega-cap strength. The DJIA led major averages with a +2.3% gain, supported by financials, industrials, and energy. The Nasdaq Composite rose +1.9%, and the S&P 500 added +1.6%, while small- and mid-cap stocks outperformed: the Russell 2000 surged +4.6% and the S&P MidCap 400 climbed +3.3%, signaling renewed confidence in domestic growth.

Bond/Rate Recap: Bond markets saw modest but telling moves. The 2-year Treasury yield rose 6 bps to 3.53%, reflecting firmer short-term rate expectations ahead of key inflation data, while the 10-year yield slipped 2 bps to 4.17%, narrowing the 2s–10s spread by 8 bps to +63. Municipals outperformed Treasuries, with the 10-year AAA muni/Treasury ratio tightening to 63% from 65%, supported by strong demand and favorable early-year technicals.

Week Ahead: All eyes will be on Tuesday's Consumer Price Index (CPI) report, which will reveal whether the recent downtrend in inflation persisted through December. The prior CPI release showed an annualized inflation rate of 2.7% for November, notably below economists' consensus forecast of 3.1%. A continuation of this softer trend could reinforce expectations for a more accommodative policy stance from the Federal Reserve in the months ahead.

INDICES

	Jan 5 Open	Jan 9 Close	Weekly Change	Dec 31 2025	YTD Change
DJIA	48,382	49,504	2.3%	48,063	3.0%
S&P 500	6,858	6,966	1.6%	6,846	1.8%
NASDAQ	23,236	23,671	1.9%	23,242	1.8%
Russell 2000	2,508	2,624	4.6%	2,482	5.7%
KBW Bank Indx	167.1	170.6	2.1%	164.0	4.0%
Bitcoin	$91,275	$90,840	-0.5%	$87,648	3.6%
Oil (WTI)	$57.32	$59.12	3.1%	$57.42	3.0%
Gold	$4,332	$4,510	4.1%	$4,319	4.4%
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	3.61	3.59	-0.02	3.63	-0.04
2yr UST	3.47	3.53	0.06	3.47	0.06
10yr UST	4.19	4.17	-0.03	4.17	0.00
2-10yr UST Spread	72	63	-8	69	-6
2y AAA Muni/10y UST	70.0%	65.2%	-4.9%	70.3%	-5.1%
10y AAA Muni/10y UST	64.9%	62.8%	-2.2%	65.4%	-2.7%
5yr Inflation Forecast	2.29	2.34	0.05	2.27	0.07

Week Ahead

- **Monday:** No major reports
- **Tuesday:** CPI, Federal budget, New home sales
- **Wednesday:** Retail sales, Business inventories, PPI
- **Thursday:** Export/Import
- **Friday:** Industrial production, Housing mkt index

***Could be delayed or canceled**

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