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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"Life is not a matter of holding good cards, but sometimes, playing a poor hand well." Jack London

MARKETS

Macro Recap: Last week was marked by a sharp rise in geopolitical tension after President Trump threatened new tariffs on eight NATO allies in response to their participation in a Danish-led Arctic security exercise in Greenland. He announced a 10% tariff beginning February 1, set to rise to 25% in June, positioning the move as leverage in his push for the U.S. acquisition of the island. European leaders responded forcefully, warning the measures would undermine transatlantic relations and risk a dangerous escalation. The dispute triggered emergency consultations across the EU and NATO as member nations reaffirmed their support for Denmark and made clear that Greenland is not for sale.

Despite the geopolitical turmoil, U.S. economic data painted a picture of continued strength. Third-quarter GDP was revised up to a 4.4% annual pace, marking the fastest growth since late 2023. Inflation remained somewhat elevated, with core PCE rising 2.8% in November, still above the Federal Reserve's 2% target, as agencies continued catching up after the recent government shutdown. Meanwhile, safe-haven demand surged amid global uncertainty, driving precious metals sharply higher: gold finished near $4,980 per ounce and silver broke above $100 for the first time, extending their record-setting rallies.

Equity Recap: Geopolitical tensions drove early-week volatility after President Trump's renewed tariff threats on the EU and NATO allies triggered a sharp risk-off move Tuesday, the worst session of the year for equities. For the week, the S&P 500 fell 0.4%, the Dow was down 0.5%, and the Nasdaq was off by 0.1%. Sentiment improved midweek as tariff rhetoric eased, trade headlines turned more constructive, and inflation data remained steady, helping markets recover part of Tuesday's losses. Momentum faded on Friday, with weakening breadth as investors positioned ahead of a heavy week of mega-cap earnings.

Bond/Rate Recap: U.S. Treasury yields swung notably throughout the week. The 10-year Treasury climbed as high as 4.29% on Wednesday, reflecting market anxiety tied to President Trump's tariff threats against NATO allies over the Greenland dispute, which raised concerns about potential retaliatory selling of Treasuries. As geopolitical tensions eased later in the week, safe-haven pressure subsided, and yields retraced, with the 10-year ending the week near 4.22%, in line with its Monday start.

Week Ahead: The Fed has cut rates at each of its past three meetings, and its next two-day meeting concludes Wednesday. Bond trading continued to reinforce expectations that the Federal Reserve will pause its rate-cut cycle at this week's meeting. Rate-futures pricing on Friday reflected a 97% probability of no change, per CME FedWatch.

INDICES

	Jan 19 Open	Jan 23 Close	Weekly Change	Dec 31 2025	YTD Change
DJIA	49,359	49,099	-0.5%	48,063	2.2%
S&P 500	6,940	6,916	-0.4%	6,846	1.0%
NASDAQ	23,515	23,501	-0.1%	23,242	1.1%
Russell 2000	2,678	2,669	-0.3%	2,482	7.5%
KBW Bank Indx	167.8	164.3	-2.1%	164.0	0.2%
Bitcoin	$92,380	$87,190	-5.6%	$87,648	-0.5%
Oil (WTI)	$59.44	$61.09	2.8%	$57.42	6.4%
Gold	$4,668	$5,059	8.4%	$4,319	17.1%
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	3.63	3.65	0.02	3.63	0.02
2yr UST	3.59	3.59	0.00	3.47	0.12
10yr UST	4.22	4.22	-0.01	4.17	0.05
2-10yr UST Spread	63	62	-1	69	-7
2y AAA Muni/10y UST	62.4%	62.4%	0.0%	70.3%	-7.9%
10y AAA Muni/10y UST	61.2%	62.7%	1.5%	65.4%	-2.7%
5yr Inflation Forecast	2.41	2.47	0.06	2.27	0.20

Week Ahead

- **Monday:** Durable goods
- **Tuesday:** Consumer Confidence, Case-Shiller Home Price Index
- **Wednesday:** FOMC meeting and rate decision
- **Thursday:** Trade balance, Wholesale inventories, Factory orders
- **Friday:** PPI

***Could be delayed or canceled**

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