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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"There are only two forces that unite men - fear and interest." Napoleon Bonaparte

MARKETS

Macro Recap: Economic data last week painted a mixed picture, with solid activity readings but growing signs of labor market cooling. January vehicle sales disappointed, falling to a 14.85 million annualized pace. Severe winter storms across the South late in the month disrupted dealership activity and were a key factor behind the weakness.

Labor market data drew particular attention. December's JOLTS report showed a sharp drop in job openings, which fell to 6.54 million, the lowest level since 2020. Prior data were also revised lower, and the headline figure came in far below expectations, signaling a notable loss of momentum in labor demand.

Business surveys, however, pointed to resilience in overall activity. The ISM services index held steady at its highest level since October 2024, supported by stronger business activity and improving supplier deliveries. While new orders eased modestly from December's surge, the more notable takeaway was that hiring intentions remained essentially flat.

Manufacturing data echoed that theme. The factory sector posted its strongest reading in three years, with new orders, production, and supplier deliveries all at multi-year highs. Despite the strength in output and demand indicators, employment plans again showed little change, suggesting firms are meeting demand without expanding payrolls.

Finally, consumer sentiment improved. The University of Michigan's preliminary February reading rose to a six-month high, rebounding from late-2025 lows. Even so, confidence remains below levels seen a year ago, underscoring that households are feeling somewhat better, but not yet optimistic.

Equity Recap: Equity markets ended the week higher overall, despite notable volatility midweek. Strong rallies at both the beginning and end of the week helped offset selling pressure on Tuesday through Thursday, when technology stocks bore the brunt of the declines.

Performance diverged meaningfully across major indexes. The Dow Jones Industrial Average gained 2.5% and crossed the 50,000 mark for the first time, while the S&P 500 finished modestly lower. The NASDAQ lagged, falling 1.8% as tech shares struggled.

Style leadership also continued to shift. U.S. large-cap value stocks extended their year-to-date advantage over growth stocks, reinforcing a rotation away from the growth-led market of recent years. Value benchmarks rose 2.2% for the week, while growth counterparts declined 2.0%.

Bond/Rate Recap: The yield curve steepened as the 2-year Treasury yield fell from 3.59% to 3.52%, while the 10-year yield edged up from 4.22% to 4.24%, widening the 2s–10s spread to +71 basis points. By comparison, the spread at this time last year was only +30 basis points, underscoring the degree of curve normalization over the past year.

Week Ahead: The week ahead will be shaped by a compressed economic calendar following last week's partial U.S. government shutdown. The BLS postponed its January employment report, with the release now scheduled for Wednesday, February 11.

Inflation data will follow shortly after. The CPI report has been delayed until Friday, February 13, pushing a key policy-relevant release later than originally planned. With two major data points arriving back-to-back, markets may see heightened volatility as investors reassess the outlook for growth, inflation, and interest rates in a shortened window.

INDICES

	Feb 2 Open	Feb 6 Close	Weekly Change	Dec 31 2025	YTD Change
DJIA	48,892	50,116	2.5%	48,063	4.3%
S&P 500	6,939	6,932	-0.1%	6,846	1.3%
NASDAQ	23,462	23,031	-1.8%	23,242	-0.9%
Russell 2000	2,614	2,670	2.2%	2,482	7.6%
KBW Bank Indx	167.6	176.1	5.1%	164.0	7.4%
Bitcoin	$77,124	$70,947	-8.0%	$87,648	-19.1%
Oil (WTI)	$65.21	$63.55	-2.5%	$57.42	10.7%
Gold	$4,894	$4,964	1.4%	$4,319	14.9%
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	3.65	3.67	0.02	3.63	0.04
2yr UST	3.52	3.50	-0.02	3.47	0.02
10yr UST	4.24	4.21	-0.03	4.17	0.04
2-10yr UST Spread	71	70	0	69	1
2y AAA Muni/10y UST	62.8%	60.7%	-2.1%	70.3%	-9.5%
10y AAA Muni/10y UST	61.7%	61.6%	-0.1%	65.4%	-3.8%
5yr Inflation Forecast	2.56	2.52	-0.04	2.27	0.25

Week Ahead

- **Monday:** No major reports
- **Tuesday:** Retail sales, Business inv. Import/Export
- **Wednesday:** Nonfarm payrolls, Federal budget
- **Thursday:** Weekly unemployment, Existing home sales
- **Friday:** CPI

***Could be delayed or canceled**

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