

INSIGHT

Short holiday week delivers steep drop but strong recovery.

In a shortened holiday week, we had ample noise where markets delivered another ‘TACO’ dip opportunity with a steep drop on Tuesday followed up with a strong recovery on Wednesday. Key drivers on the week were Green-land centric trade war narratives (backtracked), and an ongoing surge in Japanese government bond yields. By week’s end, U.S. stocks closed slightly lower (-0.4%) while non-U.S. developed (+0.1%) and emerging (+1.1%) markets posted gains. U.S. bond yields closed flat on the week recovering from a mid-week surge while the USD traded sharply lower (-1.8%) and commodities (particularly precious metals) rallied.

Financial Market Highlights • Small caps snapped a fourteen-day win streak last week versus the S&P 500. The internal market rotation in place since mid-November is continuing as a lead narrative as 4Q earnings reports begin to pick up speed with blended top and bottom lines growing at 7.8% and 8.2% respectively. • The surge in long-term Japanese bond yields of over 80bps since Takaichi took office included a single day move last week of 26bps, the largest single day since 1999. JGB yields are now at their highest levels on record driven primarily by tax proposals amidst an increasingly shaky fiscal situation.

Economic Highlights • Last week’s economic calendar featured a firm PCE inflation release at 3%, improving UoM consumer sentiment and falling inflation expectations, encouraging labor market indications, and S&P manufacturing and service



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sector PMIs missing expectations but still solidly in expansive territory.

Policy Highlights • Policy conversations were on Davos last week, a refreshing change from Fed speculation. Trump highlighted U.S. claims on Greenland, his Board of Peace, and backed off European tariff threats. Canadian PM made waves calling for middle powers to unite as a counter to U.S. influence. • Two notable Fed speculation points last week were deteriorating optics of POTUS control over the Fed (pending Lisa Cook SCOTUS directive) and Bessent suggesting we may see a Fed Chair nominee this week. Polymarket has Reider (49%) as the most likely candidate, followed by Warsh (30%), Waller/Hasset (8%). **Bullish Asset Allocation Narratives** • Strong consumption with ample room for the consumer to re-lever and market-related wealth effects. • AI boom including substantial infrastructure buildouts, projected produc-

tivity gains, and earnings potential. • Growth conducive policies including a less restrictive Fed, fiscal stimulus, and deregulation. • Robust U.S. corporate earnings growth, profit margins, and forward guidance. **Bearish Asset Allocation Narratives** • Risks to consumption due to lower/ middle class price fatigue (cumulative inflation), higher interest rates (sluggish housing market), and slowing labor markets. • AI bust given unproven ROI/mone- tization profile, narrow equity markets, and industry specific concerns (circular transactions, increased debt financing, more asset intensive business models). • Monetary policy mistakes given prevailing labor market dynamics and inflation trends. • Tariff and immigration policies introducing longer-term structural headwinds on aggregate demand, trade, and hiring alongside shorter-term goods and sectoral level labor inflation.

SUMMARY OF ECONOMIC REPORTS

Economic Report	Release	Period	Prior	Estimate Range	Consensus	Actual
PCE YoY (Headline/Core)	1/22/26	Nov	2.9% / 2.9%	2.7% to 2.8%	2.7% / 2.8%	3.0% / 3.0%
PCE MoM (Headline/Core)	1/22/26	Nov	0.2% / 0.2%	0.1% to 0.2%	0.2% / 0.2%	0.2% / 0.2%
PMI Services	1/23/26	Jan	52.9	52.3 to 54.0	52.8	52.5
PMI Manufacturing	1/23/26	Jan	52.5	52.3 to 54.0	52.8	52.5
UofM Consumer Sentiment	1/23/26	Jan	52.9	53.8 to 54.5	54.0	56.4
Pending Home Sales	1/21/26	Dec	5.7%	N/A	N/A	-9.3%
Housing Starts & Permits (M)	1/21/2026	Dec	1.25M / 1.41M	N/A	N/A	DELAYED
CPI (Headline/Core YoY)	1/13/2026	Dec	2.7% / 2.6%	2.6% to 2.8%	2.6% / 2.7%	2.7% / 2.6%
CPI (Headline/Core MoM)	1/13/2026	Nov	0.2% / 0.2%	0.2% to 0.4%	0.3% / 0.3%	0.3% / 0.2%
Industrial Production	1/16/2026	Dec	0.43%	0.1% to 0.3%	0.30	0.37%
Retail Sales (Headline/Core)	1/14/2026	Nov	0.0%	-0.5 to 0.4%	0.2% / 0.2%	0.6% / 0.4%
Housing Market Index	1/16/2026	Jan	39	37 to 40	40	37
Existing Home Sales	1/14/2026	Dec	4.1M	4.06M to 4.3.0M	4.23M	4.35M
New Home Sales	1/13/26	Oct	738K	665K to 740K	714K	737K
Payrolls (MoM)	1/9/2026	Dec	64,000	40k to 100k	55,000	50,000
Unemployment Rate	1/5/2026	Dec	4.5%	4.5% to 4.6%	4.6%	4.4%
JOLTS	1/7/2026	Nov	7.67M	7.60M to 7.734M	7.65M	7.15
ISM Services	1/7/2026	Dec	52.6	51.0 to 52.8	52.2	54.4
ISM Manufacturing	1/5/2026	Dec	48.2	48.0 to 48.8	48.3	47.9
Case-Shiller HPI (YoY)	12/30/25	Oct	1.4%	1.0% to 1.2%	1.1%	1.3%
U.S. GDP (QoQ AR)	12/23/25	Q3	3.8%	2/5% to 3.8%	3.2%	4.4%
PCE (QoQ AR)	12/23/25	Q3	2.5%	2.7% to 3.1%	2.7%	3.5%
Consumer Confidence	12/23/25	Dec	92.9	89.0 to 94.5	91.9	89.1
Durable Goods Orders	12/23/25	Oct	0.1%	-0.4% to 0.3%	0.1%	0.2%
Employment Cost Index	12/10/2025	Q3	3.60%	3.7% to 3.7%	3.7%	3.5%
NFIB Small Biz Optimism	12/9/2025	Nov	98.2	97.6 to 98.2	98.0	99.0
Personal Income	12/5/2025	Sept	0.4%	0.3% to 0.5%	0.4%	0.4%



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MARKET ANALYSIS

Equity	Level	1 Wk	1 Mo	3 Mo	YTD	1 Yr	Commodities	Current	12/31/25	9/30/25	6/30/25
Dow Jones	49099	(0.66)	1.43	5.51	2.23	12.09	Oil (WTI)	60.30	57.26	63.17	66.30
NASDAQ	23501	(0.12)	(0.24)	2.59	1.13	17.95	Gold (Mo-End)	4053.28	4053.28	3665.20	3352.00
S&P 500	6916	(0.39)	0.18	2.95	1.10	14.49					
Russell 1000 Growth		(0.51)	(2.31)	(0.83)	(1.04)	12.84	Currencies	Current	12/31/25	9/30/25	6/30/25
Russell 1000 Value		(0.30)	3.26	7.13	3.92	14.91	USD/Euro (\$/€)	1.17	1.18	1.17	1.17
Russell 2000		(0.19)	5.13	7.85	7.58	16.89	USD/GBP (\$/£)	1.34	1.34	1.34	1.37
Russell 3000		(0.40)	0.51	3.11	1.55	14.01	Yen/USD (¥/\$)	158.02	158.02	147.97	144.17
MSCI EAFE		0.14	3.55	7.22	3.60	32.05					
MSCI Emg Mkts		1.09	8.31	9.14	6.94	42.71	Treasury Rates	Current	12/31/25	9/30/25	6/30/25
Fixed Income	Δ Yield	1 Wk	1 Mo	3 Mo	YTD	1 Yr	3 Month	3.70	3.67	4.02	4.41
US Aggregate	3.88	(0.00)	(0.01)	0.08	(0.01)	0.13	2 Year	3.60	3.47	3.60	3.72
High Yield	6.50	(0.00)	(0.06)	(0.05)	(0.04)	(0.05)	5 Year	3.84	3.73	3.74	3.79
Municipal	3.31	0.00	(0.02)	0.11	(0.01)	0.29	10 Year	4.24	4.18	4.16	4.24
Treasury	3.49	0.18	0.16	0.29	0.17	0.47	30 Year	4.82	4.84	4.73	4.78

Style Returns

	V	B	G
L	3.92	1.27	-1.04
M	4.95	4.26	2.03
S	7.89	7.58	7.29

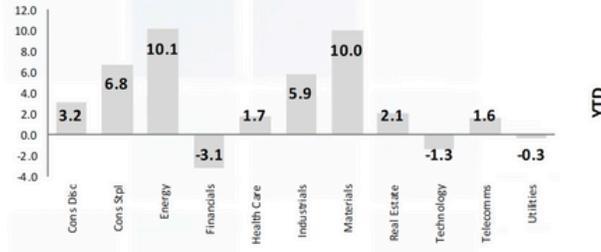
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YTD



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