CAPITAL MARKETS REPORT - JANUARY 5, 2026

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SERVICE BEYOND COMPARISON

- **Markets Enter 2026 With Cautious Optimism**
- **Economy Slows Gradually as Consumers Stay Selective**
- **Global Markets Mixed as Policy Uncertainty Persists**

U.S. markets opened 2026 with cautious optimism as investors weighed the prospect of eventual Fed rate cuts against sticky inflation, labor-market uncertainty and future geo-political fallout from the US military action in Venezuela. Equities edged higher last week on light holiday trading, while Treasury yields and the dollar softened modestly to close out 2025. Fed officials emphasized patience and a data-dependent approach, signaling that further rate cuts will depend on continued progress on inflation. As a result, markets have scaled back expectations for aggressive easing, pricing fewer, and later cuts than previously anticipated. As of this morning, the market was pricing in one...possibly two rate cuts for 2026, with the first expected in June.

Economic indicators suggest the U.S. economy is decelerating rather than slowing sharply. Labor-market data show hiring and worker quits moderating, with layoffs ticking up slightly but, remaining consistent with hopes for a soft-landing. Consumer spending held up toward year-end, supported by wage growth and residual savings, though confidence surveys reveal mounting unease about job security and future price pressures. One "canary in the coal mine" is that spending strength appears increasingly concentrated among higher-income households, while lower-income consumers face intensifying strain.

Global markets begin the year on uneven footing amid policy divergence and geopolitical uncertainty. Euro stocks lagged on weak growth signals, while some emerging markets benefited from a softer dollar. Oil prices drifted lower as increased supply from non-OPEC producers offset demand concerns tied to softer global manufacturing activity. Investors are entering 2026 focused on central-bank policy paths, global growth/ political risks, and the durability of consumer demand.

Market Last Week

	12/26/2025	1/2/2026	Weekly Change In Bps
2 yr. Note	**3.48%**	**3.47%**	**-1**
5 yr. Note	**3.70%**	**3.74%**	**4**
10 yr. Note	**4.13%**	**4.19%**	**6**
30 yr. Bond	**4.81%**	**4.87%**	**6**
SOFR Rate	**3.72141%**	**3.68243%**	**-3.898**

Data This Week

Date/Time (ET)	Economic Data	Market Estimate	Prior Report
1/5/2026 10:00 AM	ISM Manufacturing (Dec)	48.40	48.20
1/6/2026 9:45 AM	S&P Global US Composite PMI (Dec F)	--	53.00
1/7/2026 7:00 AM	MBA Mortgage Applications (Jan 2)	--	--
1/7/2026 8:15 AM	ADP Employment Change (Dec0	48k	-32k
1/7/2026 10:00 AM	ISM Services Index (Dec)	52.40	52.60
1/7/2026 10:00 AM	JOLTS Job Openings (Nov)	7690k	7670k
1/8/2026 8:30 AM	Initial Jobless Claims (Jan 3)	215k	199k
1/8/2026 8:30 AM	Continuing Claims (Dec 27)	1900k	1866k
1/9/2026 8:30 AM	Change in Nonfarm Payrolls (Dec)	55k	64k
1/9/2026 8:30 AM	Unemployment Rate (Dec)	4.50%	4.60%
1/9/2026 8:30 AM	Change in Manufact. Payrolls (Dec)	-5k	-5k
1/9/2026 10:00 AM	U. of Mich. Sentiment (Jan P)	53.50	52.90