

CAPITAL MARKETS REPORT - JANUARY 12, 2026



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- Rate Cut Expectations Changing
- Justice Department Threatens Fed
- President Requests Mortgage Buying Program from FNMA and FHLMC

U.S. markets extended their early-year gains, with all but the NASDAQ closing Friday at new record highs, as investors grew more comfortable with a scenario of gradual Federal Reserve easing later in 2026. As equity prices rose, Treasury yields on the long end of the curve edged lower while the policy-sensitive 2-Year yield rose 6 bps, reflecting expectations that inflation will continue to cool without a sharp economic slowdown. Federal Reserve officials, however, pushed back on hopes for aggressive rate cuts, emphasizing that policy will remain restrictive until they are confident price pressures are durably under control. As a result, bond markets trimmed expectations for multiple cuts this year, reinforcing a cautious but constructive market tone.

Late yesterday, unprecedented news broke that the Justice Dept. has served the Fed with grand jury subpoenas threatening criminal indictments. Shortly thereafter, the normally stoic Chairman Powell issued an (again, unprecedented) forceful statement addressing the encroachment of politics on the Fed. Market reaction has been, according to Bloomberg, "jolted" by the developments. That same source went on to report "Stocks, bonds and the dollar fell as traders rushed to the safety of precious metals after the Trump administration escalated its attack on the Federal Reserve, raising concern about central bank independence. The Fed's perceived independence from government whims is a bedrock assumption of US markets, and any change to that perception could weigh on sentiment."

Economic numbers point to a slowing but still stable domestic backdrop. Consumer spending remains steady, even as confidence surveys show persistent anxiety about job security and living costs. Analysts note that higher-income households are driving much of the spending, while mid to lower-income consumers face increasing strain, suggesting a more uneven economic expansion.

Market Last Week

	1/2/2026	1/9/2026	Weekly Change In Bps
2 yr. Note	3.47%	3.53%	6
5 yr. Note	3.74%	3.75%	1
10 yr. Note	4.19%	4.16%	-3
30 yr. Bond	4.87%	4.81%	-6
SOFR Rate	3.68243%	3.67127%	-1.116

Data This Week

Date/Time (ET)	Economic Data	Market Estimate	Prior Report
1/15/2026 8:30 AM	Initial Jobless Claims (Jan 10)	218k	208k
1/13/2026 8:30 AM	CPI YoY (Dec)	2.70%	2.70%
1/14/2026 8:30 AM	Retail Sales Advance MoM (Nov)	0.40%	0.00%
1/14/2026 7:00 AM	MBA Mortgage Applications (Jan 9)	--	0.30%
1/16/2026 9:15 AM	Industrial Production MoM (Dec)	0.20%	0.20%
1/14/2026 10:00 AM	Existing Home Sales (Dec)	4.20m	4.13m
1/15/2026 8:30 AM	Empire Manufacturing (Jan)	1.00	-3.90
1/15/2026 8:30 AM	Philadelphia Fed Business Outlook (Jan)	-1.90	-10.20
1/13/2026 8:30 AM	Core CPI YoY (Dec)	2.70%	2.60%
1/14/2026 8:30 AM	PPI Final Demand YoY (Nov)	2.60%	--
1/14/2026 8:30 AM	PPI Ex Food and Energy YoY (Nov)	--	--
1/15/2026 8:30 AM	Continuing Claims (Jan 3)	--	1914k

SERVICE BEYOND COMPARISON