

The Data

- Equities were slightly lower last week with small cap's being the outperformer.
 - S&P 500 -0.35% Dow -0.29% Russell 2000 +2.13%, Nasdaq -0.66%.¹
 - The All-Country World Index rose +0.14%.¹
 - S&P 500 sub-sectors were mixed last week.
 - Staples led to the upside with a gain of 5%.¹
 - Financials led to the downside with a loss of -2.74%¹
 - The CBOE Volatility Index (VIX) rose 9% to end at 15.86.¹
- US Treasury bond yields were higher last week.
 - US 2yr +0.07% at 3.60%, 10yr +0.06% to 4.23%, 30yr +0.02% to 4.84%.¹
 - The 10yr yield is pushing above what has been a ceiling for some time.
- Commodities as an aggregate asset moved higher.
 - WTI Crude rose +0.30%.¹
 - Gold gained +1.89%.¹
 - The US Dollar index moved higher +0.24%.¹
- In our opinion, U.S. economic data was mixed last week.
 - The CPI inflation reading showed slowing inflation as it was unchanged at +2.7%.¹
 - The producer price index rose slightly showing a +3.0% rise over the last year.¹
 - Small business optimism ticked higher from 99 to 99.5.¹
- An index of equities outside the US (FTSE All-World ex-US) gained +0.99%.¹

¹ Source: Bloomberg – 1/16/2026

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Conclusion

- Major equity markets posted marginal losses outside of small-caps last week.
 - Small-caps led to the upside with a gain of 4.6% on the week.
 - Small-caps outpaced larger companies by a wide margin with over a 2% gain.
 - The Russell 2000 index which tracks these smaller co's ended the week up over 8% while the S&P 500 was up 1.5% so far in 2026.
 - This rotation away from the large, tech dominated names seems to be flowing into other areas of the market.
 - This is evident in the outperformance of both small-caps and equal-weight measures of the S&P 500 index.
- S&P 500 subsectors were mostly higher last week.
 - Defensive Consumer Staples led to the upside followed by Industrials & Materials.¹
 - Financial led performance to the downside despite solid earnings.
 - Weakness was also observed in Healthcare.
 - Investors have recently turned more discerning when it comes to AI bets, showing poor appetite for stocks that continue to spend heavily on the tech without much evidence of returns.
 - Tech was only marginally higher last week while Communication Services and Discretionary were lower.
- Interest rates rose across the curve last week.
 - The 10yr rose +0.06% and yields are now heading above what has been a technical resistance level of 4.20%.
 - Despite this rise, the MOVE bond volatility index still sits at historic lows.
 - If yields continue their upward ascent, it would not surprise us to see the volatility in the bond market to pick up steam which could spill over into other markets.
- Geopolitical tensions are heating up between the US and Europe over the Trump administrations push to take control of Greenland.
 - Trump is threatening to impose levies on countries opposing his claim of authority over Greenland which is reigniting volatility in the markets.
 - Equities are under pressure with precious metals shooting higher to begin the holiday shortened week.
 - The tensions are also adding to the significant of the pending US Supreme Court ruling on the existing tariffs.
 - This all threatens the \$6 trillion dollars of US equity holdings by EU private and public investors.

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