

The Data

- Equities moved lower over the holiday shortened trading week.
 - S&P 500 -1.03% Dow -0.67% Russell 2000 -1.05%, Nasdaq -1.52%.¹
 - The All-Country World Index declined -0.99%.¹
 - S&P 500 sub-sectors were almost all negative last week.
 - Energy was the lone positive sectors with a gain of almost 1%.¹
 - Financials, Tech, & Industrials led to the downside with losses over -1.5%.¹
 - The CBOE Volatility Index (VIX) rose 6% to end at 14.46.¹
- US Treasury bond yields were mixed last week.
 - US 2yr -0.01% at 3.47%, 10yr +0.06% to 4.19%, 30yr +0.06% to 4.87%.¹
 - The yield curve continued its steepening trend to close out '25.
- Commodities as an aggregate asset declined.
 - WTI Crude rose +1.00%.¹
 - Gold sank -4.46%.¹
 - The US Dollar index gained +0.41%.¹
- In our opinion, U.S. economic data was mixed last week.
 - Existing home sales rise +3.3% in the latest data.¹
 - Despite this, housing data finished the year poorly with pending sales at 25 year lows.¹
 - Jobless claims, both initial & continuing, came in below expectations.¹
- An index of equities outside the US (FTSE All-World ex-US) gained +0.85%.¹

¹ Source: Bloomberg – 1/2/2026

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Conclusion

- Major equity markets closed 2025 on the negative note with small declines.
 - Mega-caps led the decline with the Nasdaq declining -1.52% while the S&P 500 finished lower by -1%.¹
 - The Dow Jones Industrial Average was the best major domestic performer with a loss of -0.67%.¹
 - There was little trading volume over the holiday shortened trading week.
 - As such we place little weight on the data/direction from the week.
- S&P 500 subsectors were almost all lower last week.
 - Energy was the lone positive performer.
 - Last week's sector price action was the exact opposite of what occurred for all of 2025 as Energy posted a negative return for the year.¹
 - We will continue to watch for if the rotation/broadening that took place toward the end of 2025 continues into the new year.
 - If it does continue, it could mark a long-term mean reversion which can produce outsized gains for areas of the market that have underperformed for some time.
 - This pattern can also mark a "change in leadership"...meaning what areas have led index performance can shift.
- Interest rates were mostly higher last week outside of the short-term end of the maturity curve.
 - The major theme of 2025 continued last week with the yield curve steepening.
 - This means the difference between the shortest maturities and the longer 10yr & 30yr issues increases.
 - Historically this has been an indication of higher future economic growth and/or inflation.
 - The question on everyone's minds is whether it is growth, inflation, or both.
 - The answer to this question could be the major input to the direction of broad equity markets in 2026.
- Market participants begin the new year with a focus on the upcoming earnings cycle and economic data.
 - A fresh measure of the labor market will be released this Friday.
 - Investors will be watching to see if the higher unemployment rate from the latest delayed report continues or was a one time increase as a result of the gov't shutdown.
 - Major banks open earnings season soon as analysts' expectations for S&P 500 companies is for 4th quarter earnings to rise +8.3%.¹

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