Market Down & Dirty
January 5, 2026

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

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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