

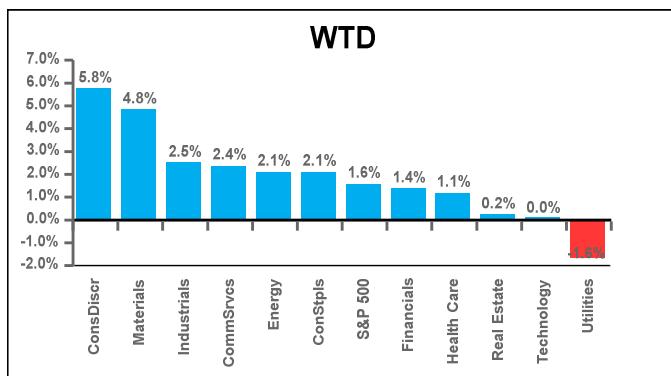


January 9, 2026

## Weekly Recap

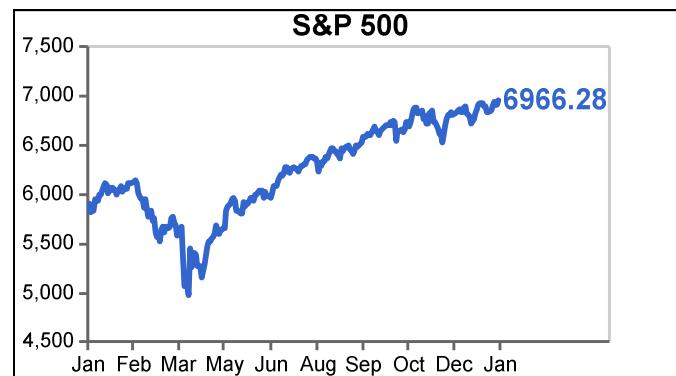
In the early hours of January 3<sup>rd</sup>, U.S. special forces carried out Operation Absolute Resolve in Caracas, Venezuela, capturing Venezuelan President Nicolás Maduro before flying him to New York where he will face U.S. narco-terrorism charges. The broader market had a muted response to the operation with integrated energy and oil services names moving higher on the headlines and potential for large infrastructure investments in Venezuela. Equities finished the week modestly higher, but the bigger story was a rotation in leadership, particularly rotation out of tech. Looking at the labor market, the overarching theme appears to be “low hire/low fire”. December ISM manufacturing printed 47.9 (versus 48.7 consensus; 48.2 November), marking the 10th straight contraction—orders/backlog show some stabilization, but overall activity remains soft. JOLTS openings fell to 7.1M (lowest since September 2024) with flat hires/separations, underscoring the “low-hire/low-fire” backdrop. Initial Claims layoffs are still low from a historical standpoint, yet rising continuing claims point to tougher re-employment. Nonfarm Payrolls reported +50k (vs +60k consensus), unemployment at 4.4% (down from revised 4.5% in Nov), consistent with a cooling labor market. With labor market data being digested this week, investors will now turn their focus to next week’s inflation data through Consumer Price Index (CPI) and Producer Price Index (PPI) reports. Both inflation and employment data will be key for the Fed when they meet later this month.

### SECTORS – Large Cap



## Key Thought

FOMC members remain sharply divided on the pace and timing of rate cuts in 2026, with recent remarks underscoring the discord. Neel Kashkari opened the week with a hawkish stance, suggesting policy is “pretty close to neutral.” In contrast, Tom Barkin expressed caution, noting uncertainty in data following the government shutdown and emphasizing the need for clarity as cleaner numbers emerge. On the dovish end of the spectrum, Stephan Miran began the week projecting “well over 100 basis points” of cuts for this year, only to raise that estimate to 150 basis points just days later, citing the need to boost the labor market. Market expectations also diverge from the Fed’s outlook: futures pricing implies two cuts, ending 2026 with a Fed funds rate near 3.1%, while the Fed’s median forecast anticipates just one cut, bringing the rate to roughly 3.4%. Although still more aggressive than the Fed’s own projections, markets have steadily scaled back expectations for 2026 rate cuts over the fourth quarter—shifting from three cuts priced in October to just two today. This shift reflects a growing consensus that the neutral rate may ultimately settle above 3%, rather than below, as resilient growth and sticky inflation challenge earlier assumptions of a lower equilibrium. Adding complexity, Bloomberg highlighted that the Taylor Rule—a policy guideline based on inflation and growth—suggests an implied rate of 3.75%, leaving little room for easing. While some argue the Taylor Rule is outdated, it remains influential among economists and market participants. This mix of hawkish caution, dovish optimism, and conflicting models underscores the uncertainty surrounding monetary policy as the year unfolds.



	Close	Net Change	Wk	MTD	QTD	YTD
<b>Defensive</b>						
Staples	881.77	18.25	2.1%	2.0%	2.0%	2.0%
Health Care	1,834.54	20.76	1.1%	1.6%	1.6%	1.6%
CommServices	461.38	10.71	2.4%	2.0%	2.0%	2.0%
<b>Eco Sensitive</b>						
Consumer Disc	2,016.52	110.04	5.8%	4.6%	4.6%	4.6%
Energy	716.63	14.95	2.1%	4.3%	4.3%	4.3%
Industrials	1,371.35	33.51	2.5%	4.4%	4.4%	4.4%
Info Tech	5,688.10	1.32	0.0%	0.1%	0.1%	0.1%
Materials	611.33	28.23	4.8%	6.4%	6.4%	6.4%
<b>Interest Rate Sensitive</b>						
Financials	926.09	12.50	1.4%	1.6%	1.6%	1.6%
Utilities	431.90	-7.06	(1.6%)	(0.4%)	(0.4%)	(0.4%)
REIT	252.38	0.51	0.2%	0.3%	0.3%	0.3%

### RUSSELL STYLE RETURNS

WTD	Value	Blend	Growth	YTD	Value	Blend	Growth
Large	2.54%	1.67%	0.94%	Large	3.45%	1.91%	0.61%
Medium	2.88%	2.72%	2.00%	Medium	4.03%	3.84%	2.94%
Small	4.51%	4.60%	4.66%	Small	5.47%	5.72%	6.00%

Source: FactSet

COMING UP NEXT WEEK			Consensus	Prior
01/13 CPI ex-Food & Energy SA M/M	(Dec)	0.31%	-	
01/13 CPI NSA Y/Y	(Dec)	2.7%	2.7%	
01/14 Existing Home Sales SAAR	(Dec)	4,150K	4,130K	
01/15 Empire State Index SA	(Jan)	1.5	-3.9	
01/15 Philadelphia Fed Index SA	(Jan)	-3.5	-8.8 R	
01/16 Capacity Utilization NSA	(Dec)	75.9%	76.0%	
01/16 Industrial Production SA M/M	(Dec)	0.10%	0.20%	

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