Week in review and ahead (vol.01-26)

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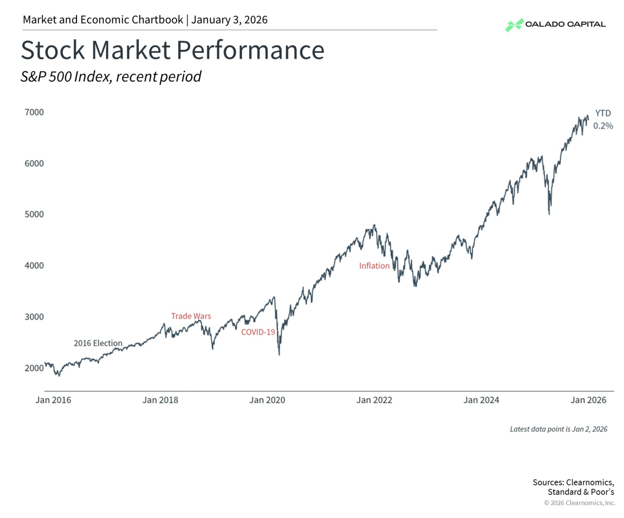
Markets in the US got off to a volatile start in 2026, after mostly subdued trading during the last trading days of 2025. US markets advanced early on the first trading day, however, giving up most of those gains up throughout the day. Nevertheless, the S&P500 ended the day with gains of +0.2%, reverting a series of daily declines earlier in the holiday shortened week. Accordingly, the S&P500, Nasdaq Composite, Dow Jones, and Russell-2000 all ended lower for the week, with declines of -1.1%, -1.6%, -0.7%, and -1.1%, respectively. With one day left in the "Santa Claus rally" it appears it did not materialize as many had hoped.

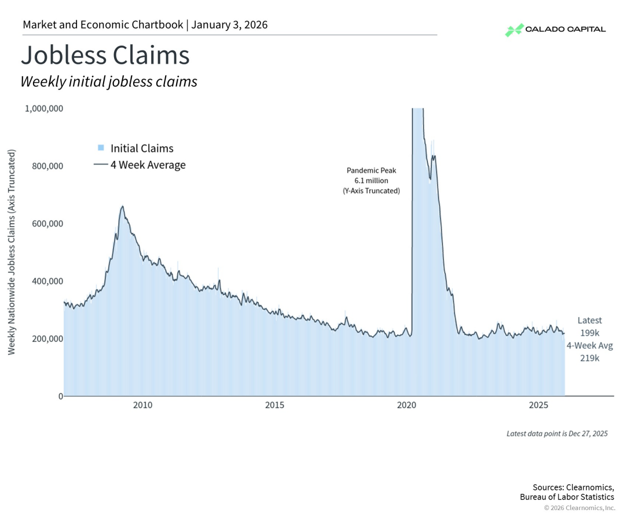
Internationally, all major markets ended the week higher, with the exception of Japan’s Nikkei that declined by -0.8% for the week, following trade in the US. Notably, the first day of trading in China was particularly off to a great start, with the Hang Seng Index gaining 2.8% on the day, reversing previous daily losses and closing out the week with gains of 0.1%.



The holiday shortened week had not much by way of macroeconomic data, other than the delayed report on pending home sales and the initial jobless claims reported on Wednesday ahead of the New Year's Day holiday. The initial jobless claims surprised markets falling below 200K once again to 199K, well below expectations of 220K and the revised 214K the week before, showing some seasonal resilience in the labor market. That said, markets will look to next Friday when the non-farm payroll reports ('NFP') for December, the first timely report due since the government shutdown, to get a sense of the state of the labor market. The focus will be placed on the unemployment rate that has steadily ticked up since August of 2025, and expectations for it to continue in December to increase to 4.7%. In addition, markets will focus on hourly wage gains that surprisingly fell to 0.1% month-over-month ('MoM') and 3.5% year-over-year ('YoY') in November, amidst higher inflation and concerns that it may impact consumption (if inflation outpaces earnings growth).

Pending home sales in November advanced by a surprising 3.3% MoM, well ahead of forecast of 1.0% MoM, and up sequentially from 2.4% MoM in October. The housing market has been subdued for most of 2025 amidst higher rates and housing supply constraints; however, mortgage rates have been falling since October and closed out the year at the lowest level since October'24 averaging at about 6.15% for a 30-year mortgage. In addition, median home prices in the US are showing some signs of relief after record levels following the pandemic.

Finally, the Fed released its meeting minutes from December and the biggest take-away, somewhat surprising, is that a larger number of FOMC members were willing to maintain rates steady, than expected, given the delay in reporting key economic data.



Next week, markets will look for an update on the state of the economy with ISM due to report on the services and manufacturing sectors. With updated NFP data later in the week to provide an update on employment, markets will also look at ISM's survey data on prices paid (for services and goods). Reports on inflation continue being delayed with CPI for December and PPI for November due out the week after next and it is not quite clear, if the Fed will have the benefit of its preferred inflation gauge, the PCE inflation index, last reported for September of 2025, before its next meeting on January 27-28. With respect to the Fed, a number of FOMC members are scheduled to publicly speak next week and markets will undoubtedly attempt to assert the Fed’s next move. Besides, markets will be increasingly looking to POTUS who is due to announce a new Fed chair in the coming weeks, and to current Fed chair Powell, if he seeks to remain on the Fed board to serve his remaining two (2) years after his chairmanship concludes in May.

If you have questions about how this may impact your investments, or how you should be positioned, please do not hesitate to contact us at claudio@caladocapital.com.

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