Nashville, Tennessee

WEEK OF JANUARY 12, 2026

Market Navigator

Equity markets rallied, with the S&P 500, Dow Jones Industrial Average, and Russell 2000 all closing at record highs as market breadth continued to expand. With employment data weaker than expected, investors continued to believe that the Federal Reserve (Fed) will reduce interest rates this year.

Quick Hits

1. **Beyond the headlines:** Making sense of weak jobs and strong markets.
2. **Report releases:** Economic data reports remained mixed.
3. **Financial market data**: Three indices—the Dow Jones, S&P 500, and Russell 2000—reached record highs.
4. **Looking ahead:** Fourth-quarter earnings reports and inflation data are this week's highlights.

Beyond the Headlines: Making Sense of Weak Jobs and Strong Markets

The Fed focused on employment for most of the second half of 2025—and with good reason. The central bank was concerned enough about job weakness to resume its rate reduction cycle, lowering interest rates 25 basis points (bps) at its September, October, and December meetings.

The December jobs report showed that the employment market remained weak. Headline nonfarm payroll rose only 50,000, below the consensus estimate of 73,000. Also of concern: the previous two months were revised downward by 76,000 jobs.

Employment Clarity, Finally

As we approach the Federal Open Market Committee (FOMC) meeting later this month, the good news is that this was the first timely, robust employment data economists and investors have received since early September because of the government shutdown. They now have clarity that employment weakness remains as 2026 begins.

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In 2025, just 584,000 jobs were created, the lowest since 2020, when Covid-19 had a major impact. It's unusual to see job creation so low when the economy is growing. According to Bloomberg, the last time fewer jobs were created in a year when the economy was expanding was 2003.

Investors, however, reacted positively to the data. Stocks rallied, with the S&P 500, Dow Jones, and small-cap Russell 2000 closing at record highs. After all, 50,000 new jobs is still growth—even if it is slow growth. It also indicated that the economy should continue to expand and that the Fed is likely to continue reducing interest rates this year. That is positive for investor sentiment.

All Eyes on Corporate Earnings

Market fundamentals have been led by strong corporate earnings growth in 2025. We'll receive more information when fourth-quarter earnings season kicks off this week. Thus far, corporate America has navigated headline risk quite well. At the end of September, expectations for fourth-quarter earnings were for 7.2 percent growth in December. The bar for success is getting higher, however; those expectations have since risen to 8.3 percent.

The price-to-earnings ratios that investors are willing to pay for stocks are high, and with expectations for higher earnings, there is certainly some risk moving forward. This earnings season may set the tone for 2026 earnings growth. Investors will closely scrutinize executive commentary about how leaders view their businesses and where they anticipate allocating capital over the next 12 months.

With the Fed potentially on the sideline to start the year, earnings are the key to the market for now. The best outcome for the weeks ahead would be for earnings to continue to exceed expectations. Breadth in earnings strength across various industries and companies would certainly be another positive sign and would represent a solid backdrop for diversified portfolios.

Report Releases: January 5–9, 2026

ISM Manufacturing Index
December (Monday)

Manufacturer confidence dropped because of weak hiring and a drop in new orders.

- Expected/prior ISM Manufacturing index: 48.4/48.2
- Actual ISM Manufacturing index: 47.9

ISM Services Index
December (Wednesday)

Service sector confidence improved more than expected, lifting the index to a 14-month high.

- Expected/prior ISM Services index: 52.2/52.6
- Actual ISM Services index: 54.4

Employment Report
December (Friday)

The December jobs report showed signs of a fragile labor market, with headline hiring missing expectations. In addition, previous months' reports were revised downward by 76,000 jobs, signaling hiring headwinds.

- Expected/prior change in nonfarm payrolls: +70,000/+56,000
- Actual change in nonfarm payrolls: +50,000

Preliminary University of Michigan Consumer Sentiment Survey
January (Friday)

Consumer confidence rose more than expected after falling in December, marking the first improvement for the index in five months.

- Expected/prior month University of Michigan consumer sentiment survey: 53.5/52.9
- Actual University of Michigan consumer sentiment survey: 54.0

>> The Takeaway

Economic data remained mixed, indicating an economy that is growing but still facing headwinds. The primary takeaways were weaker-than-expected employment (with negative revisions to previous months) and improved consumer confidence for the first time in five months.

Financial Market Data

Equity

The first full week of 2026 featured strong returns across the board, led by the small-cap Russell 2000 Index, which closed at a record high—as did the Dow Jones and S&P 500. Strength was seen in the consumer discretionary, materials, and industrial sectors, each of which rose at least 2.5 percent. Underperforming sectors included technology, health care, and financials. The only sector with negative returns was utilities.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.58%	1.79%	1.79%	19.20%
Nasdaq Composite	1.88%	1.86%	1.86%	22.34%
DJIA	2.34%	3.03%	3.03%	18.11%
MSCI EAFE	1.42%	2.03%	2.03%	34.13%
MSCI Emerging Markets	1.62%	3.44%	3.44%	39.96%
Russell 2000	4.68%	5.79%	5.79%	18.84%

Source: Bloomberg, as of January 9, 2026

Fixed Income

Bonds were up across the yield curve, with longer-dated Treasuries performing best. Investors reacted to Friday's employment report and what it could mean for the FOMC meeting later this month. Yields on the 10-year declined 3 bps to roughly 4.17 percent.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.35%	0.15%	0.15%	0.15%
U.S. Treasury	0.20%	0.02%	0.02%	0.02%
U.S. Mortgages	0.73%	0.49%	0.49%	0.49%
Municipal Bond	0.69%	0.73%	0.73%	0.73%

Source: Bloomberg, as of January 9, 2026

>> The Takeaway

- Equity markets registered strong gains across the board, with the Dow Jones, S&P 500, and Russell 2000 reaching record highs. Ten of eleven sectors had positive gains, led by consumer discretionary stocks.
- Bonds were also up. Longer-dated Treasuries rallied, with the yield on the 10-year declining to roughly 4.17 percent.

Looking Ahead

This week, we expect to see updated inflation and retail sales data, along with key earnings reports.

- We will begin receiving **fourth-quarter earnings reports**, highlighted by banks. Corporate earnings in 2025 have exceeded expectations, and investors will want to see this trend continue. Expectations are for growth of more than 8 percent.
- On Tuesday, we expect to see important updates on inflation with the **December Consumer Price Index** report. Economists and investors want to see whether improvement in November data was the beginning of a trend.
- On Wednesday, **retail sales** for November will be released; they are expected to show continued strength in consumer spending habits.

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