

Key Takeaways:

- Can January give us insight to the rest of the year?
- Equities rally but more muted than past three years.
- Consumer spending continues but inflation is mixed.
- Global equities rally but investors rotated away from U.S. tech.
- Precious metals end the month positive, but month end volatility picks up.

As Goes January, So Goes Rest of the Year

There is a long standing adage, “as goes January, so goes the rest of the year,” suggesting January’s equity performance is a precursor to the rest of the year. Since 1939, when the S&P 500 is negative in January, it ends up being negative for the year (-2%, on average). In contrast, if the S&P 500 is positive, the average return is 16% for the year. While this January delivered positive equity returns there were several headwinds that challenged the rally. The worst consumer confidence in more than a decade and increasing geopolitical tensions hampered risk appetite. In addition, the U.S. Government shutdown, again, and the Fed insinuated rate cuts are on hold for the time being. In this weekly insights, we review the month of January from an economic and asset class perspective.

- **Labor market holds on:** The pace of job creation (12 month sum) has slowed to the lowest since 2021. However, the unemployment rate moved lower (to 4.4%) as the labor force has been shrinking.
- **Consumer keeps spending:** Retail spending rose at the fastest pace in five months. Spending was

strong on autos, sporting goods, gas and building materials.

- **Inflation data mixed:** Core consumer prices grew 2.6% (YoY). However, service prices ex energy are growing 3.0% (YoY) and producer prices (ex food, energy and trade) are growing 3.5% (YoY).
- **Housing stabilizing?** Existing home sales rose the most in nine months as mortgage rates dropped to a 15 month low.

Global equities – U.S. lags global rally. Global equities shrugged off the rising geopolitical tensions to rally the most in four months. International equities led the gains with the MSCI AC World Index ex U.S. outperforming the S&P 500 by the most in 10 months.

- **International led by EM:** The MSCI Emerging Market Index outperformed the MSCI EAFE Index by the most in four months. Latin America led the gains as commodities aided the rally.
- **U.S. rotation:** Small and midcap equities outperformed large caps as investors looked for value beyond the “Magnificent 7.”

Fixed Income – Fed close to neutral.

The Fed insinuated they may be at or near the neutral benchmark rate and that growth was solid. As a result, long term yields rose in January.

- **Municipals lead:** Municipal bonds led the U.S. fixed income gains given strong seasonal factors (reinvestment month).
- **Credit rally slowing:** High yield and investment grade bonds rallied for the month. However, spreads started to creep higher at month end as equity volatility accelerated.

Commodities- Energy leads. The Bloomberg Commodity Index posted its best month since December 2010.

- **Geopolitical tensions and weather drive energy.** Natural gas prices rose as cold weather drove demand. In addition, crude oil rallied due to U.S./Iran tensions.
- **Precious metals see volatile month:** Gold and silver posted solid gains but saw the largest drop in decades at month end. A stronger dollar, leverage unwind and concern over a more hawkish Fed caused precious metals to pullback at the end of January.

Weekly Economic Recap –

Fed Leaves Rates Unchanged; Data and Comments Signal a Long Pause

The preliminary reading on November durable goods orders showed that orders came in better than expected. Core orders which exclude defense and aircraft came in better than expected (0.7% MoM vs. 0.3%). Durable orders were led by an increase in electrical equipment, metals and machinery orders.

Home prices as measured by the S&P Cotality Index rose 0.5% for the month of November. Of the 20 cities analyzed, prices rose in six of the cities (i.e., San Diego, New York, Los Angeles, Miami, Phoenix, Las Vegas). Boston, Cleveland and San Francisco saw the largest price declines for the month.

Consumer confidence as measured by the Conference Board, showed that confidence declined in January to the lowest level since 2014. Both components of confidence (i.e., present situation and expectations) dropped. In addition, confidence across all age demographics and income levels declined.

The Federal Reserve met last week, and as expected, left interest rates unchanged (at 3.5-3.75%). The committee noted that “economic activity expanded at a solid pace,” while the labor market, “has shown signs of stabilization and inflation remains elevated.”

Inflation as measured by producer prices came in higher than expected at the headline and core levels in December. Headline inflation rose 0.5% (MoM), the most in three months. At the core level (excluding food, energy and trade), prices also rose more than expected (0.4% vs. 0.3% MoM).

Key Takeaways:

- Consumer confidence deteriorates.
- Fed leaves rates unchanged; likely for a long pause.
- Producer inflation comes in higher than expected.
- Global equities rise but U.S. equities lag.
- Credit hampered by risk off sentiment.
- Dollar increase and Fed concern takes fuel out of metals.

Weekly Market Recap –

Global Equities Higher but U.S. Equities Lag

Equities: The MSCI AC World Index rose last week but the gains were primarily driven by international equities as U.S. equities lagged. U.S. equities were challenged by hawkish Fed rhetoric, concern over AI spending and Trump’s pick for the new Fed Chairman which caused the dollar to rebound. Small and midcap U.S. stocks led the drop after being the best performing segments of the U.S. equity market year to date.

Fixed Income: The Bloomberg Aggregate Index was relatively unchanged last week as weakness in long term bonds was balanced by an increase in inflation protected securities. Investment grade and high yield bonds led the weakness in credit as investors grew concerned of higher rates for longer on hawkish Fed rhetoric.

Commodities/FX: The Bloomberg Commodity Index rallied for the fourth consecutive week. A cold streak in the U.S. led energy prices sharply higher. However, concerns about a more hawkish Fed caused the Bloomberg Precious Metals Index to post its worst weekly drop since March 2020.

U.S. Consumer Confidence Lowest Since 2014



Footnotes: Data is as of January 2025.
Data Source: Bloomberg Finance LP, Verdenca Capital Advisors.

Global Equities Rally but U.S. Lags on Hawkish Fed and Tech Concerns

		U.S. Equities							International Equities						
		Current	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD	
U.S. Equities	Dow Jones Industrial Average	48,892	-0.4%	1.8%	3.2%	11.7%	1.8%	International Equities	MSCI AC World (USD)	1,044	0.7%	3.0%	4.0%	21.9%	3.0%
	S&P 500	6,939	0.3%	1.4%	1.7%	16.3%	1.4%		MSCI EAFE (USD)	3,043	1.6%	5.2%	9.0%	31.2%	5.2%
	Russell 1000 Growth	4,691	-0.5%	-1.5%	-3.9%	14.5%	-1.5%		MSCI Europe ex UK (USD)	3,399	1.5%	4.2%	10.0%	31.6%	4.2%
	Russell 1000 Value	2,163	0.6%	4.5%	8.0%	15.8%	4.5%		MSCI Japan (USD)	5,116	0.9%	6.6%	6.4%	30.8%	6.6%
	Russell 2500	4,515	-1.7%	5.0%	6.6%	13.5%	5.0%		MSCI UK (USD)	1,668	2.1%	5.2%	10.7%	35.0%	5.2%
	Russell 2000	2,614	-2.1%	5.4%	5.8%	15.8%	5.4%		MSCI EM (USD)	1,528	1.8%	8.9%	9.4%	42.8%	8.9%
	Nasdaq	23,462	-0.2%	1.0%	-1.0%	20.3%	1.0%		MSCI Asia ex Japan (USD)	988	2.0%	8.2%	8.0%	42.0%	8.2%
		Fixed Income							Commodities						
		Current Yield	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD	
Fixed Income	U.S. Aggregate	4.4%	0.0%	0.1%	0.6%	6.8%	0.1%	Commodities	Bloomberg Commodity Index	305	1.0%	10.4%	13.5%	22.9%	10.4%
	U.S. Govt/Credit	4.3%	0.0%	0.0%	0.3%	6.3%	0.0%		Crude Oil (USD/bbl)	\$63.3	4.5%	6.0%	2.4%	-9.2%	5.9%
	U.S. 10 Year Treasury	4.3%	-0.1%	-0.5%	-0.2%	7.0%	-0.5%		Gold (\$/oz)	\$4,894.2	-4.5%	10.4%	19.4%	70.8%	10.7%
	U.S. TIPS (1-10YR)	3.9%	0.4%	0.5%	0.6%	6.7%	0.5%		Copper	\$592.4	-3.6%	1.9%	14.0%	35.6%	2.1%
	U.S. High Yield	6.6%	-0.2%	0.5%	1.7%	7.7%	0.5%		Wheat	\$538.0	1.6%	5.3%	-0.5%	-15.8%	6.1%
	EM Bonds (USD)	5.8%	0.1%	0.4%	1.0%	10.3%	0.4%		U.S. Dollar	97	0.2%	-1.2%	-2.6%	-10.3%	-1.1%
	Municipal Bonds	3.5%	0.3%	0.9%	1.3%	4.7%	0.9%		VIX Index	17.4	8.4%	16.7%	0.0%	6.1%	16.7%

Footnotes: Data is as of January 30, 2026.

Source: Bloomberg Finance LP, Verdenance Capital Advisors.

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