Ascentis
Asset Management

# Weekly Market Commentary

## January 12, 2026

# Weekly Macro Report – The Lifeblood of a bull market – 1.12.26

## Growth and Leading Indicators

- U.S. labour market – The December Employment Situation report showed that non-farm payroll employment increased by 50 k jobs, while the unemployment rate ticked down to 4.4 %. Average hourly earnings rose 0.3 % in the month, suggesting wage pressures remain moderate. Job gains were concentrated in food services, health care and social assistance, while retail trade shed jobs. Labour market strength is an important component of the Conference Board's coincident index; this release points to a still-growing but cooling labour market.

- Jobs data and labour-market sentiment – High-frequency labour indicators echoed this message. The JOLTS report showed job openings falling to about 7.1 M, well below expectations of 7.7 M. Meanwhile, ADP payrolls pointed to only +41 k private-sector jobs in December. Challenger job-cut announcements fell to a 17-month low, hinting at corporate reluctance to fire workers. Overall, the labour market appears to be moving toward a *"low-hire, low-fire"* equilibrium.

- Goods versus services divergence – Manufacturing remained weak. The ISM Manufacturing Index stayed below 50 for a tenth consecutive month, signaling contraction, whereas the ISM Services Index climbed from the prior month, indicating ongoing expansion in services. This divergence supports the narrative of a two-speed economy, with goods production lagging services. Durable goods orders, a leading indicator, were not updated during the week, but earlier releases show that nondefense durable-goods orders remain elevated (around $286 B) despite recent monthly volatility.

- Policy-sensitive data – Initial jobless claims, a component of the leading index, edged higher but remained low, and continuing claims stayed near their recent range. The FHLBNY observed that manufacturing output has stalled while services demand is resilient and that markets expect industrial production to rise 0.2 % month-on-month with capacity utilization near 76 %. The FHLBNY also noted that a backlog of government data (due to the prior shutdown) will be released in coming weeks, including CPI, PPI and retail sales.

Overall, economic releases within the Conference Board's coincident framework showed moderate growth but highlighted a gradual softening in labour demand and continued manufacturing weakness, consistent with expectations of slower economic momentum into early 2026.

## Policy and Central Bank Outlook

- Fed policy expectations – After December's rate cut, investors initially priced in another move as early as March. However, the drop in the unemployment rate to 4.4 %, coupled with weak payroll growth, has led traders to expect the Federal Reserve to leave rates unchanged until at least June. Policymakers such as Atlanta Fed President Raphael Bostic and Richmond Fed President Thomas Barkin emphasized that inflation remains above target and that the labour market is slowing but not collapsing. Futures now assign less than a 30 % chance of a March cut. Our belief is that the Fed will cut more than the market is currently expecting. Leading indicators of job creation, like jobs openings, suggest that more interest rate cuts are likely.

- Fed succession and fiscal policy – U.S. Treasury Secretary Scott Bessent hinted that the White House may announce a new Federal Reserve chair within weeks. The prospect of a more dovish chair has fueled expectations for a sustained easing cycle later this year. This is a key strategic move, in our opinion, because it essentially renders Federal Reserve Chairman Powell's forward guidance essentially useless and raises the profile of dissention. Fiscal policy, including the Trump administration's continued infrastructure spending and support for AI and energy investments, is also expected to underpin growth.

- Global central banks – The European Central Bank and Bank of England kept policy rates unchanged during the week, noting that inflation is moderating but still above target. Markets continue to anticipate policy convergence toward easier conditions by mid-2026.

## Markets and Risk Appetite

- Equities – Major stock indices reached new record highs during the first full week of 2026. The S&P 500 rose by 1.6%, while the Nasdaq Composite advanced 1.9%. This rally broadened as materials and industrials outperformed, whereas large-cap growth stocks remained mostly unchanged. Small-cap stocks surged nearly 5%, and equal-weighted indices outperformed their market-cap-weighted counterparts, indicating improved market breadth. The bullish percent index for the S&P 500 (measuring the percentage of stocks on technical "buy" signals) climbed above 60%, and the high-beta index broke out to new highs relative to low-volatility stocks, signaling strong risk appetite.

- As noted by renowned market technician Ralph Acampora at a recent CMT conference, "rotation is the life-blood of a bull market." So far this year, we have seen a shift out of select technology names and into sectors tied more closely to the real economy. We maintain our view that equal weighting will outperform market cap weighting, small caps will outpace large caps, and real assets will have an advantage over financial assets in the current environment. Technical indicators suggest this rotation is indeed underway, at least for now.

- Bond markets were quiet as the 10-year Treasury yield edged down to about 4.18%, staying within its 4%–4.6% range. The long-end of the Treasury market outperformed shorter-term Treasuries as the 2-year Treasury yield increased by 5 basis points last week while the 30-year Treasury bond yield moved lower by 6 basis points. The yield curve flattened, likely on the back of adjusting policy expectations due to the somewhat surprising December payrolls report. High-yield bonds also outperformed Treasuries for the week (HYG/IEF up 0.18%) and remain in a positive trend. Risk appetite remains strong.

- Commodities and currencies – Gold traded near $4,500 per ounce and continued to rally, while copper prices remained close to record highs (reinforcing the "Dr. Copper" indicator of future economic strength). Oil prices were volatile, rising early in the week on geopolitical risks before reversing lower on oversupply concerns. The dollar finished the week up 0.72%, most likely tied to adjusting odds for rate cuts due to the drop in the unemployment rate.

- Cryptocurrencies –Bitcoin remains around $91k, consolidating after a challenging end to 2025. Unlike global equities and gold, it has not tracked other risk assets or those benefiting from increased liquidity and monetary debasement.

**Outlook**

- Macro backdrop – The combination of softening labor markets, continued manufacturing weakness and resilient services activity suggests that U.S. growth will slow but remain positive in early 2026. The Conference Board's leading index will likely remain in negative territory until manufacturing and housing indicators improve. However, strong corporate cap-ex in AI and related technologies is expected to keep investment spending firm.

- Policy path – The Fed appears poised to pause until at least June, but the nomination of a new Fed chair could shift expectations. Market pricing implies two to three cuts later in the year, contingent on inflation staying contained. Fiscal spending (infrastructure, AI investment and energy initiatives) will support real-economy activity so the window for additional support will likely close as we near the second half of the year.

- Risk considerations – While market breadth has improved and risk appetite is strong, caution is warranted. Credit markets and crypto remain less enthusiastic than equities, valuations are rich, and economic momentum is slowing. A near-term growth scare cannot be ruled out, especially if labour conditions deteriorate further. At the same time, longer-term prospects are brightened by the AI mega-trend and a potential surge in capital spending, which could reshape sector leadership and sustain growth through 2026.

## Sources


- U.S. Bureau of Labor Statistics. *Employment Situation — December 2025 (released Jan 9, 2026).* Provides data on non-farm payrolls, unemployment rate, and sectoral job gains.

- Federal Home Loan Bank of New York (MSD Weekly Market Update, Jan 9, 2026). Discusses labour market releases, manufacturing weakness versus services strength, expectations for industrial production, and corporate bond issuance.

- Ulland Investment Advisors – Weekly Market Update (Jan 9, 2026). Summarizes JOLTS job openings, ADP payrolls, Challenger job cuts, AI conference commentary and upcoming data.

- Financial Synergies – Weekly Market Recap (Jan 9, 2026). Notes market leadership broadening, goods–services divergence, labour softening, small-cap outperformance and risk-on but hedged sentiment.

- Reuters. *Global equity funds snap three-week inflow streak* (Jan 9, 2026). Reports on fund flows showing outflows from U.S. equity funds and inflows into European/Asian equity and bond funds.

- Reuters. *S&P 500 notches record high close driven by Broadcom and other chipmakers* (Jan 9, 2026). Provides weekly index performance, sector rotation and valuation context.

- Reuters. *Fed seen on longer rate-cut pause after December jobs data* (Jan 9, 2026). Discusses market expectations for Fed policy and comments from Fed officials.

- Iconomi. *Crypto Weekly Wrap — 9 January 2026.* Describes Bitcoin price (~$90k), fear index, gold's surge, dollar softness and crypto market dynamics.

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## CONTACT US

Please feel free to call us or contact us via email if you require any further information.

**EMAIL:** max.rockwell@ascentisasset.com

**ADDRESS:** 5001 Spring Valley Road,
Suite #810W
Dallas, TX 75244 USA

**WEBSITE:** www.ascentisasset.com