Ascentis
Asset Management

Weekly Market Commentary

January 26, 2026

Weekly Macro Commentary & GRIP Summary – Week Ending January 23, 2026

Overview

Financial markets entered the final full week of January on a cautiously optimistic note. While some economic indicators continue to flag an ongoing slowdown, there are signs of resilience in consumer spending and housing activity. Equity markets remain firm and broadening leadership suggests that the rally is spreading beyond the concentrated handful of mega-cap stocks that drove returns in 2025. However, valuations are stretched and pockets of stress in private credit and cryptocurrencies counsel prudence. The Federal Reserve meets next week under the cloud of a criminal investigation into Chair Jerome Powell, adding a layer of uncertainty to the policy outlook. Our GRIP (Growth, Risk, Inflation, Policy) assessment highlights these cross-currents.

Growth

Housing: December pending home sales, a component of the Conference Board's leading index, fell sharply. The National Association of Realtors' Pending Home Sales Index plunged 9.3 % month-over-month (–3.0 % year-over-year) to 71.8 – a five-month low – with declines across all regions[1]. Inventory remains exceptionally tight (about 1.18 million homes), which has constrained transaction volumes[2]. Despite the pullback, mortgage activity shows early signs of life. The Mortgage Bankers Association reported that its Purchase Index rose 5 % from the prior week and was 18 % higher than a year earlier, reflecting a surge in mortgage applications as rates eased[3]. This rebound in mortgage demand suggests that housing may contribute positively to growth later in the year.

GDP: The final estimate of third-quarter 2025 GDP (released January 22) confirmed that real GDP grew at a 4.4 % annual rate, up from 3.8 % in Q2[4]. Strong consumer spending drove the advance: personal consumption expenditures added 2.34 percentage points to growth, while net exports contributed 1.62 ppts, government spending 0.38 ppts and private investment 0.03 ppts[5]. Imports fell, boosting net exports[4]. Price measures were relatively tame – the PCE price index rose 2.8 % and core PCE 2.9 % at an annual rate[6]. Dr. Lacy Hunt from Hoisington Investment Management notes a disconnect in recent economic data in his most recent economic outlook:

"One of the foundational principles of macroeconomics is that total spending (GDP) should equal total income (GDI). Yet, Bureau of Economic Analysis data shows the level of GDP has exceeded GDI for twelve consecutive quarters. Such a sustained, one-sided gap suggests more than just random statistical error; it signals a potential structural problem in the flow of income and expenditures. The divergence was particularly severe in the third quarter, as real GDP growth rate surged to 4.3% while real GDI growth slowed to a 2.4% rate, underscoring the disconnect."

Consumer spending and PCE: While December PCE figures are not yet available, November data show that consumer spending rose 0.5 %, and the PCE price index increased 0.2 % month-over-month and 2.8 % year-over-year[7]. Core PCE (excluding food and energy) also rose 0.2 % MoM and 2.8 % YoY[7]. Despite the monthly uptick, the PCE inflation rate has been drifting lower since mid-2025.

Leading indicators: The Conference Board's Leading Economic Index continues to contract. September's index (the most recent due to data delays) declined 0.3 % after a similar drop in August, bringing the six-month change to –2.1 %[1]. Weak consumer expectations, softer new orders and a flattening yield curve were key drags[1]. By contrast, the Coincident Economic Index (which captures payrolls, personal income, industrial production and trade sales) rose 0.1 %, underscoring that current activity remains positive[4]. The persistent decline in the LEI over the past 3-, 6- and 12-month horizons signals ongoing headwinds, but the CEI's resilience supports our view that growth could re-accelerate later in 2026 as housing, investment and manufacturing pick up.

Risk Appetite

Equities: Global stocks, proxied by the MSCI All-Country World Index (ACWI), continued to grind higher to record levels. Leadership is broadening U.S. micro-cap stocks (IWC) have delivered a 6.2 % year-to-date return through mid-January, far outpacing the S&P 500 (SPY) at 1.9 %[8]. The Russell 2000 and S&P 400 MidCap indices also set fresh highs as investors rotated into economically sensitive sectors[8]. Sector rotation is evident: materials, industrials and energy shares are breaking out while technology stocks consolidate[9]. High-beta sectors like metals & mining, energy services and aerospace/defense are among the best performers. Value factors have outperformed growth, with equal-weight and value indexes beating the capitalization-weighted S&P 500 – an historical signal that economic activity is on the mend. High-yield bond spreads remain near multidecade lows; the ICE BofA US High Yield Option-Adjusted Spread closed at 2.64 % on January 22[10], underscoring investors' risk appetite. Tight spreads and positive price momentum suggest credit markets are not yet flashing warning signs.

Valuation and Concentration Risks: Amid the rally, valuations have become extreme. The cyclically adjusted Shiller P/E ratio for the S&P 500 has climbed to roughly 41, its highest level since the dot-com bubble[11]. The index has surged about 77 % over the past three years[12], raising concerns that returns have been pulled forward. Such rich valuations, combined with extreme concentration in a handful of mega-cap names, leave the market vulnerable to earnings disappointments or policy surprises. In our view, shifting portfolios toward equal-weight strategies, favoring value overgrowth and real assets over financial assets, and increasing active management exposure can help mitigate these risks.

Private credit: WSJ reports the first broad wave of redemptions in wealth-channel private credit: several large funds saw end-2025 cash-out requests from about 5% of shareholders, while a Blue Owl vehicle faced roughly 15% of shares tendered. As dividends soften with falling benchmark-linked loan yields and default concerns weigh on sentiment, managers are stress-testing how "semi-liquid" private credit behaves when performance disappoints—Blue Owl even lifted its redemption payout cap (to 17%) and borrowed to retire shares. The pullback spotlights liquidity and suitability questions just as the industry pushes to expand access to private credit through retirement-plan channels.

Cryptocurrencies: Digital assets diverged from the positive tone in equities and credit. Bitcoin and Ether prices slid more than 6 % and 10 % respectively last week (data from major exchanges). The breakdown in crypto may reflect profit taking after 2025's outsized gains and suggests that speculative sentiment is not universally bullish.

Commodities and Currencies: Commodity markets were on fire. The S&P GSCI commodity index gained nearly 4 % for the week. Natural gas futures spiked over 70 % after a severe winter storm tightened supply[16]. Precious metals rallied sharply: gold, silver, platinum and palladium all carved out fresh highs. While specific weekly gains varied by metal, the move underscored investors' preference for real assets amid currency weakness. The U.S. dollar index dipped around 1.95 % during the week, while commodity-linked currencies like the Australian dollar strengthened against the Japanese yen, reflecting confidence in global growth and resource demand.

Inflation

The focus last week was on PCE inflation, the Fed's preferred gauge. November PCE data show consumer prices up 0.2 % month-on-month and 2.8 % year-on-year, with core PCE also 0.2 % MoM and 2.8 % YoY[7]. Market measures of inflation expectations remain contained; the TIP/TLH ratio ticked up slightly (~0.18 %) but remains in a negative trend, implying investors expect inflation to continue moderating. Nonetheless, a weaker dollar and the rebound in oil prices (Brent crude rose during the week) could exert upward pressure on inflation in coming months. Overall, the disinflationary trend remains intact, but the path is unlikely to be linear.

Policy

The Federal Open Market Committee meets this week. Traders expect the Fed to keep its benchmark rate unchanged as officials weigh a cooling economy against sticky service inflation. The criminal investigation into Chair Jerome Powell over alleged misstatements about Fed building renovations has injected uncertainty. Observers worry that political pressure could compromise the Fed's independence. Powell has denounced the investigation as a "pretext" to influence monetary policy and signaled that he intends to serve his full term to safeguard the institution[18]. There is speculation that the probe might make him more cautious about cutting rates quickly, especially given the administration's desire for easier policy. We think the Fed will hold rates steady this week and maintain optionality for cuts later in 2026. Deteriorating labour markets, negative leading indicators and moderating inflation suggest the window to ease is open now, but policymakers may wait for more evidence that inflation is sustainably at target. This delay could risk a growth scare if economic momentum weakens before monetary support arrives.

Outlook and Positioning

We remain constructive on the medium-term outlook. Despite contracting leading indicators, coincident measures such as income and industrial production remain positive. Housing activity is showing nascent signs of recovery, and corporate investment – particularly in AI, energy infrastructure and real assets – is poised to accelerate later this year. At the same time, we acknowledge elevated valuations and pockets of stress (private credit, crypto) that could trigger volatility. Our preferred strategy is to diversify away from concentrated cap-weighted indexes, tilt toward value, small- and mid-cap equities, and allocate to real assets (commodities, precious metals, infrastructure) which are benefiting from global investment cycles. Active management will be essential to navigate what we expect will be a more rotational, less liquidity-driven market environment.

Sources

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- Mortgage Bankers Association Weekly Mortgage Application Survey, week ending Jan 16 2026 — Purchase Index up 5 % w/w and 18 % y/y[3].
- Bureau of Economic Analysis, GDP 3rd Quarter 2025 (final) — Real GDP +4.4 % annual rate with contributions from consumption (2.34 ppts), net exports (1.62 ppts), government spending (0.38 ppts) and investment (0.03 ppts); PCE price index +2.8 %, core PCE +2.9 %[19][5].
- Bureau of Economic Analysis / Reuters, Personal Consumption Expenditures (Nov 2025) — PCE price index +0.2 % MoM, +2.8 % YoY; core PCE +0.2 % MoM, +2.8 % YoY[7].
- Conference Board, Leading Economic Index — Six-month change –2.1 % (March to September 2025)[1]; coincident index positive.
- Capital Spectator / StockCharts — Micro-cap outperformance and sector rotation: micro-caps +6.2 % YTD vs SPY +1.9 %; materials and industrials leading; small-caps up 22 % vs SPY 12 % over six months[8][9].
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