January 2026 Monthly Market Commentary

Investor Summary

U.S. equities began 2026 on a mixed but broadly constructive note. Major benchmarks retained most of their strong 2025 gains despite a choppy finish to the month. The S&P 500 hovered near the 7,000 level and posted a roughly flat return for January, as modest early-month strength gave way to late-month consolidation driven by profit-taking and evolving expectations around Federal Reserve policy and leadership. The Dow Jones Industrial Average and the NASDAQ Composite ended the month little changed, reflecting a balance between solid earnings optimism and caution around valuations and policy uncertainty.

International equities generally advanced. The MSCI World Index posted a positive monthly return, supported by broad strength across developed markets. Investors weighed resilient global growth and easing financial conditions against lingering inflation pressures and geopolitical risks. Commodity performance was mixed. Crude oil prices rose to roughly four-month highs amid a weaker U.S. dollar, while gold and other precious metals declined as investors reassessed demand for traditional safe-haven assets.

Macroeconomic data continued to point to economic expansion, with inflation moderating but still above central bank targets. Real U.S. GDP growth for the third quarter of 2025 was revised upward to an annualized 4.4%, underscoring momentum heading into year-end.

December inflation data showed headline CPI rising 2.7% year over year, while forward-looking estimates for January suggested modest additional disinflation, with annual CPI projected in the mid-2% range. Consumer sentiment improved for a second consecutive month to its highest level since last summer, though it remains well below pre-inflation-shock levels.

Corporate earnings helped support equity markets. By late January, a majority of S&P 500 companies reporting results exceeded consensus expectations, and blended earnings growth for the current reporting season remained positive. Consensus forecasts continue to call for double-digit earnings growth in calendar year 2026. At the same time, the forward 12-month price-to-earnings ratio for the S&P 500 remains above both five- and ten-year averages, reinforcing the importance of earnings delivery in sustaining current valuation levels.

U.S. Equity Market Review

Major U.S. equity indexes were little changed for the month but remained near record or multi-year highs. The S&P 500 briefly touched the 7,000 level in January, supported by enthusiasm around secular growth themes and better-than-expected earnings, before pulling back modestly toward month-end. The index finished January essentially flat, declining approximately 0.05%. The Dow Jones Industrial Average and NASDAQ Composite followed a similar pattern, with early-month gains offset by late-month selling tied to earnings reactions, shifting interest-rate expectations, and political developments related to Federal Reserve leadership.

Sector performance within the S&P 500 was uneven, reflecting continued rotation beneath the surface. Early-month gains were supported not only by large-cap technology and communication services companies, but also by more cyclically sensitive sectors that tend to benefit from solid economic growth. As the month progressed, some prior leaders consolidated, while more defensive and value-oriented sectors stabilized. This shift contributed to a more balanced leadership profile compared with the narrow megacap concentration observed earlier in the cycle. The durability of this broadening trend remains a key focus for market participants.

Major Index Performance - January 2026

Index	Month Close	Monthly Return
S&P 500	6,969	+1.4%
Dow Jones Industrial Average	48,892	+1.7%
NASDAQ Composite	23,461	+0.9%
Russell 2000	2,613	+5.31%

Global Market Overview

Global equities opened the year on firmer footing. The MSCI World Index rose approximately 2.6% in January, extending strong gains from 2025 and signaling continued investor confidence in the global growth outlook. The advance reflected broad regional participation, even as certain markets navigated localized political and policy challenges.

Commodity markets delivered mixed signals. Crude oil prices advanced, with front-month WTI futures reaching their highest levels since September. A weaker U.S. dollar, which approached four-year lows, supported dollar-denominated commodities. Energy price movements appeared driven more by currency effects and steady demand expectations than by supply disruptions. In contrast, gold and silver declined sharply toward month-end, reflecting rising real yields and shifting expectations around Federal Reserve policy.

International Equity Performance - January 2026

Index	January	3M
MSCI EAFE	+5.22%	+8.87%
MSCI Emerging Markets	+8.86%	+8.70%
MSCI World	+2.26%	+3.66%
MSCI Europe	+4.46%	+9.39%

Source: msci.com

Overall risk sentiment remained constructive despite intermittent volatility. Cross-asset performance suggested investors continued to focus on earnings growth and disinflation while monitoring geopolitical developments and trade-related policy discussions. Business activity data pointed to modest expansion. The S&P Global U.S. Manufacturing PMI rose to 51.9 in January, indicating a second consecutive month of expansion, albeit at a subdued pace. Collectively, the data point to a global economy that continues to expand, though unevenly across regions and sectors.

Regional and International Market Performance

Regional equity performance was generally positive, though dispersion persisted. The MSCI World Index's January gain of approximately 2.6% reflects advances across developed markets, with contributions from North America, Europe, and the Pacific region. Global asset manager commentary highlighted that many major equity markets delivered double-digit returns in 2025, providing a favorable starting point for 2026. Early-year gains extended this trend, albeit at a more measured pace.

Emerging markets and international ex-U.S. equities also participated, though results varied by country. Some international markets outperformed U.S. benchmarks during portions of 2025, aided by currency movements and improving earnings trends. This broadening of leadership appeared to carry into early 2026. Within developed markets, Europe and Japan contributed meaningfully to January gains, while select regions remained sensitive to domestic political and monetary policy developments. Differences in inflation trends, central bank policy paths, and earnings growth continued to drive relative performance.

Sector Performance Details

Sector-level performance within U.S. equities continued to reflect evolving leadership. All S&P 500 sectors posted gains in 2025, with notable strength in Industrials and Utilities alongside sustained leadership from Technology and Communication Services. Entering 2026, technology-oriented sectors remained influential, though performance was less concentrated. Only a subset of the largest megacap stocks outpaced the broader index.

This broadening trend persisted in January. Cyclical sectors such as Industrials and segments of Consumer Discretionary benefited from solid economic activity and improving sentiment, while defensive sectors provided stability during periods of consolidation. Interest-rate-sensitive areas, including Financials and Real Estate-related industries, responded to month-to-month shifts in policy expectations. Although comprehensive January sector return data were not fully available at month-end, commentary suggests a more balanced performance profile than in prior periods dominated by a narrow group of growth stocks.

U.S. Economic and Earnings Summary

Recent economic data continued to portray a resilient U.S. expansion. The Bureau of Economic Analysis revised third-quarter 2025 real GDP growth to an annualized 4.4%, up slightly from the prior estimate and marking the strongest pace since 2023. The revision reflected stronger exports and a smaller inventory drag, partially offset by a modest downward adjustment to consumer spending. Real gross domestic income rose 2.4%, and the average of real GDP and GDI increased 3.4%, reinforcing the picture of broad-based growth.

Inflation pressures continued to moderate. December CPI rose 2.7% year over year, with food prices increasing 3.1% and shelter costs up 3.2%. Core CPI held at 2.6%, its lowest reading since 2021, while monthly core inflation increased 0.2%. Looking ahead, the Federal Reserve Bank of Cleveland's inflation nowcasting model projected January headline CPI growth of approximately 0.13% month over month and 2.36% year over year, suggesting continued progress toward the Federal Reserve's longer-run objectives.

Corporate earnings remained a central focus. FactSet's late-January *Earnings Insight* report projected calendar-year 2026 earnings growth of approximately 14.3% for the S&P 500, with first- and second-quarter growth estimates of 11.7% and 14.9%, respectively. The index's forward 12-month price-to-earnings ratio stood at approximately 22.2, above both its five-year average of 20.0 and ten-year average of 18.8. Roughly three-quarters of reporting S&P 500 companies exceeded earnings expectations, helping to support equity prices despite elevated valuations and periodic earnings-related volatility.

Consumer and Retail Data

Consumer sentiment improved for a second consecutive month but remained below historical norms. The University of Michigan's final Consumer Sentiment Index reading for January rose to 56.4, up from 52.9 in December and marking the highest level since August 2025. Improvements were broad-based across income, education, age, and political affiliation. Even so, sentiment remained more than

20% below its January 2025 level, reflecting ongoing concerns about elevated prices and economic uncertainty.

Retail spending closed 2025 on a firm note. The CNBC/NRF Retail Monitor reported that total retail sales, excluding automobiles and gasoline, rose 1.26% month over month and 3.54% year over year in December. Core retail sales, excluding autos, gas, and restaurants, increased 1.6% month over month and 3.58% year over year. Holiday sales from November 1 through December 31 grew 4.1% compared with the prior year, near the upper end of National Retail Federation forecasts. Official Census Bureau data for December were scheduled for release in mid-January, following November figures that showed retail trade sales rising 0.6% month over month and 3.1% year over year.

Housing-related activity continued to adjust alongside interest rates. While comprehensive January housing data were not yet available, year-end indicators pointed to tentative stabilization as mortgage rates eased from prior peaks. Affordability constraints persisted, and real-time and survey-based measures suggest buyers remain highly sensitive to borrowing costs and home prices. Market participants continue to monitor pending home sales, inventory levels, and regional trends for signs of a more durable recovery.

Manufacturing and Industry Indicators

Manufacturing data remained mixed but showed early signs of stabilization. The S&P Global U.S. Manufacturing PMI edged up to 51.9 in January from 51.8 in December, marking a second consecutive month of expansion. The report cited the strongest output growth since August, a rebound in new orders following a December decline, and lengthening supplier delivery times at a more moderate pace. Employment growth slowed to a six-month low. Overall, the data point to gradual improvement in manufacturing conditions, though at a pace trailing broader economic growth.

Other surveys continued to signal softness. The Institute for Supply Management’s manufacturing index remained below the 50 threshold, with a recent reading of 47.9 indicating ongoing pressure on new orders and employment, even as price measures remained elevated. The ISM also released updated seasonal adjustment factors for key sub-indexes in preparation for 2026 reporting. Taken together, these indicators suggest the industrial sector remains in a prolonged adjustment phase, with outcomes varying by region and industry and closely tied to demand conditions and trade dynamics.

Market Outlook Considerations

As the year begins, several themes from January may shape the period ahead. Equity leadership has broadened beyond a narrow group of mega-cap stocks, though performance remains uneven across sectors, reinforcing the value of diversification and earnings quality. The macro backdrop continues to point to expansion with moderating inflation, not a clear turning point, leaving markets sensitive to incremental data surprises. Corporate earnings remain central: many companies are beating expectations, but elevated valuations suggest returns will depend more on sustained earnings delivery than multiple expansion. While overall volatility has been contained, pockets of sector and stock-level volatility underscore how quickly markets can react to new information. In this environment, disciplined risk management and alignment with long-term objectives remain critical.

Data Sources and Methodology

Equity market levels and returns: S&P 500, Dow Jones Industrial Average, NASDAQ Composite, Russell 2000, and other major indexes via public market data providers and financial news outlets.

- *Global and regional equity indexes: MSCI World, developed and emerging market composites; institutional commentary on 2025–2026 performance.*
- *Commodities: WTI crude oil and Brent futures, gold and silver spot and futures prices as referenced in major news services.*
- *U.S. macroeconomic data:*
    - *Real GDP growth and revisions: U.S. Bureau of Economic Analysis Q3 2025 updated estimate.*
    - *Consumer Price Index (CPI): U.S. Bureau of Labor Statistics December 2025 CPI release and 2025 CPI-in-review analysis.*
    - *Inflation projections: Federal Reserve Bank of Cleveland Inflation Nowcasting model for January 2026 CPI and PCE.*
- *Consumer and retail indicators:*
    - *University of Michigan Surveys of Consumers – Index of Consumer Sentiment January 2026 final reading.*
    - *Retail sales and holiday spending: U.S. Census Bureau Monthly Retail Trade reports; CNBC/NRF Retail Monitor and Affinity Solutions data for December 2025 and 2025 holiday sales.*
- *Earnings and valuation data: FactSet "Earnings Insight" updates, including forward earnings growth and valuation metrics for the S&P 500. Additional earnings-season context from financial media.*
- *Manufacturing and industry indicators:*
    - *S&P Global U.S. Manufacturing PMI, January 2026 preliminary report.*
    - *ISM Manufacturing Index and related seasonal adjustment documentation.*
