

WEEKLY MARKET COMMENTARY

January 20, 2026

WEEK IN REVIEW

Markets spent the week sifting through economic data still distorted by the lingering effects of last year's federal shutdown. The Consumer Price Index (CPI) remains clouded by the Bureau of Labor Statistics' decision to carry forward September pricing data into October, effectively creating a "zero" print that understated inflation at the time and inflated readings in November and December as missing prices were finally captured. This has split market participants: some see evidence that tariff-related price pressures were milder than feared, while others argue the recent 0.2% CPI rise remains artificially depressed by residual shutdown imputation effects.

Margins Under Pressure

The Producer Price Index (PPI) offers a cleaner read. Unlike CPI, much of the data was retroactively collected, and the sharp 0.3% October jump likely reflects firms frontloading price increases in anticipation of supply disruptions. Paired with this week's CPI report, the data suggest a rebalancing of margins. The Fed's Beige Book corroborates this dynamic, noting input costs up 5-7% while selling prices rose only about 3%, with retailers and restaurants reluctant to pass costs to increasingly pricesensitive consumers.

Efficiency, Not Expansion

Labor conditions echo this margin pressure. Firms appear to be in a "no hiring, no firing" posture, hoarding skilled labor but slowing net additions. The New York Empire State and Philadelphia Fed surveys reinforced this dynamic, with stronger orders and shipments but softer employment metrics. Friday's Industrial Production report beat expectations (0.4% versus 0.1%), and capacity utilization climbed to 76.3%. Together, the data suggest firms are defending margins by squeezing more output from existing labor and capital, funding higher input costs through restrained hiring, slower wage growth, and efficiency gains. This approach lets companies maintain production without raising prices and risking pushback from cost-sensitive consumers.

A Cautious but Resilient Consumer

The consumer, however, looks more resilient than headlines suggest. November retail sales rose 0.6%, and existing home sales surprised to the upside, increasing 5.1% month-over-month, suggesting households view today's stable labor market as sufficient footing for taking on large purchases. These reports point to a cautious but confident retail consumer, willing to spend selectively even amid cost pressures.

ECONOMIC AND CAPITAL MARKETS DASHBOARD

Broad Market Indices	1-week	1-month	3-month	YTD
Stock Market (Total Return)				
S&P 500	-0.36%	2.15%	5.01%	1.44%
Dow Jones 30	-0.28%	2.64%	7.86%	2.74%
NASDAQ	-0.66%	1.78%	4.38%	1.19%
Russell 1000 Growth	-1.19%	0.15%	1.35%	-0.56%
Russell 1000 Value	0.65%	4.62%	9.07%	4.14%
Russell 2000	2.05%	6.39%	8.89%	7.92%
Wilshire 5000	-0.18%	2.52%	5.14%	1.96%
MSCI EAFE Index	1.65%	6.05%	8.38%	4.35%
MSCI Emerging Market Index	2.48%	9.78%	9.56%	6.34%
VIX	9.45%	-3.76%	-37.34%	6.09%
FTSE NAREIT All Equity REITs	3.51%	4.90%	3.02%	4.65%
S&P U.S. Aggregate Bond Index	-0.11%	0.23%	0.05%	0.06%
Interest Rates	1/16/2026	1/9/2026	1/2/2026	12/26/2025
3-month T-bill Yield (%)	3.64	3.59	3.62	3.63
10-year Treasury Yield (%)	4.23	4.17	4.19	4.13
10Y-2Y Treasury Spread (%)	0.63	0.63	0.72	0.65
30-year Fixed Mortgage Rate (%)	6.20	6.22	6.24	6.30
Commodities				
WTI Crude (\$/bl)	59.43	58.96	57.21	56.60
Gold (\$/Troy Oz)	4,611.05	4,493.85	4,352.95	4,480.80
Bitcoin	95,470.18	90,471.74	90,110.75	87,324.33

Weekly Indicators	1/16/2026	1/9/2026	1/2/2026	12/26/2025
Employment				
Initial Unemployment Claims (000's)	-	198.00	207.00	200.00

Quarterly Data	12/31/2025	9/30/2025	6/30/2025	3/31/2025
Output				
Real GDP Growth (%q/q, saar)	-	4.30	3.80	-0.60
Private Consumption (%q/q, saar)	-	3.50	2.50	0.60

Monthly Indicators	12/31/2025	11/28/2025	10/31/2025	9/30/2025
Consumption				
Consumer Expenditures (%m/m, sa)	-	-	-	0.37
Retail Sales (%m/m, sa)	-	0.62	-0.10	0.04
Personal Savings Rate (%)	-	-	-	4.00
Labor				
Civilian Unemployment Rate (%)	4.40	4.50	-	4.40
Nonfarm Employment (Chg, 000's)	50	56	-173	108
Real Average Hourly Earnings (%y/y)	0.90	1.05	-	0.73
JOLTS Job Openings (000's)	-	7146	7449	7658
Inflation				
Consumer Price Index (CPI) (%m/m, sa)	0.31	-	-	0.31
Core CPI (%m/m, sa)	0.24	-	-	0.23
Producer Price Index (PPI) (%m/m, sa)	-	0.25	0.12	0.59
Core PPI (%m/m, sa)	-	0.20	0.44	0.20
Personal Consumption Expenditures (PCE) (%m/m, sa)	-	-	-	0.27
Core PCE (%m/m, sa)	-	-	-	0.20
Output and Capacity				
Industrial Production (%m/m, sa)	0.37	0.43	-0.26	0.19
Mfg New Orders (%m/m, sa)	-	-	-1.32	0.23
Durable New Orders (%m/m, sa)	-	-	-2.19	0.64
Durable Inventories (%m/m, sa)	-	-	0.16	-0.10
Survey Data and Composite Indicators				
Consumer Confidence (CB, 1985=100)	89.10	92.90	95.50	95.60
ISM Manufacturing Report (%)	47.90	48.20	48.70	49.10
ISM Non-Manufacturing Report (%)	54.40	52.60	52.40	50.00
Leading Economic Index (%m/m)	-	-	-	-0.30
Housing and Construction				
Building Permits (Mil. of Units, saar)	-	-	1.41	1.42
Housing Starts (Mil. of Units, saar)	-	-	1.25	1.31
New Home Sales (Mil. of Units, saar)	-	-	0.74	0.74

WEEK AHEAD

The coming week marks a key transition for markets as attention shifts from regional manufacturing snapshots to broader national signals.

The Inflation and Consumption Crucible

The headline event is Thursday's Personal Consumption Expenditures (PCE) report. As the Fed's preferred inflation gauge, markets will watch closely to see whether it echoes last week's muted CPI reading. Because PCE is chainweighted, the report will also clarify the "substitution effect": whether consumers are simply

trading down (“steak to chicken”) to manage higher prices, or if inflation has broadened enough that even the cheaper options are rising in cost. A hotter than expected print would likely undermine expectations for midyear rate cuts.

Complementing this, the Personal Spending report will help clarify the underlying health of consumption. After a surprisingly strong retail sales print, this data will reveal whether spending momentum is broadbased or if a bifurcated economy is being supported primarily by upper income households.

Housing and Sentiment

Wednesday’s Pending Home Sales will help determine whether the recent surge in New Home Sales was a oneoff or a sign of sustained improvement. Markets will be watching to see if demand remains in the pipeline or if lower mortgage rates simply cleared out stale inventory.

The week concludes with S&P Global PMIs and the University of Michigan Consumer Sentiment Index. Following expansionary signals from the Philadelphia and New York Fed surveys, these reports will test whether rising industrial activity, paired with more cautious, efficiency focused hiring, is scaling into a national trend.

On the Radar:

- **10yr TIPS Auction:** Offers a market based read on 10year breakeven inflation expectations, an important check against sentiment based surveys.
- **IEA Monthly Report:** Particularly relevant after recent Fed anecdotes highlighted rising energy and gasoline input costs, making producer margins sensitive to global supply dynamics.

DISCLOSURES AND DEFINITIONS

Economic Indicators:

1. CPI: Consumer Price Index measures the average change in prices paid by consumers for goods and services over time. Source: Bureau of Labor Statistics.
2. Core CPI: Core Consumer Price Index excludes food and energy prices to provide a clearer picture of long-term inflation trends. Source: Bureau of Labor Statistics.
3. PPI: Producer Price Index measures the average change in selling prices received by domestic producers for their output. Source: Bureau of Labor Statistics.
4. Core PPI: Core Producer Price Index excludes food and energy prices to provide a clearer picture of long-term inflation trends. Source: Bureau of Labor Statistics.
5. PCE: Personal Consumption Expenditures measure the average change in prices paid by consumers for goods and services. Source: Bureau of Economic Analysis.
6. Core PCE: Core Personal Consumption Expenditures exclude food and energy prices to provide a clearer picture of long-term inflation trends. Source: Bureau of Economic Analysis.
7. Industrial Production: Measures the output of the industrial sector, including manufacturing, mining, and utilities. Source: Federal Reserve.
8. Mfg New Orders: Measures the value of new orders placed with manufacturers for durable and non-durable goods. Source: Census Bureau.
9. Durable New Orders: Measures the value of new orders placed with manufacturers of durable goods. Source: Census Bureau.
10. Durable Inventories: Measures the value of inventories held by manufacturers for durable goods. Source: Census Bureau.
11. Consumer Confidence (CB, 1985=100): Measures the degree of optimism that consumers feel about the overall state of the economy and their personal financial situation. Source: Conference Board.
12. ISM Manufacturing Report: Measures the economic health of the manufacturing sector based on surveys of purchasing managers. Source: Institute for Supply Management.
13. ISM Non-Manufacturing Report: Measures the economic health of the non-manufacturing sector based on surveys of purchasing managers. Source: Institute for Supply Management.
14. Leading Economic Index: Measures overall economic activity and predicts future economic trends. Source: Conference Board.
15. Building Permits (Mil. of Units, saar): Measures the number of new residential building permits issued. Source: Census Bureau.
16. Housing Starts (Mil. of Units, saar): Measures the number of new residential construction projects that have begun. Source: Census Bureau.
17. New Home Sales (Mil. of Units, saar): Measures the number of newly constructed homes sold. Source: Census Bureau.
18. SA: Seasonally adjusted.
19. SAAR: Seasonally adjusted annual rate.

Market Indices & Indicators:

1. S&P 500: A market-capitalization-weighted index of 500 leading publicly traded companies in the U.S., widely regarded as one of the best gauges of large U.S. stocks and the stock market overall.
2. Dow Jones 30: Also known as the Dow Jones Industrial Average, it tracks the share price performance of 30 large, publicly traded U.S. companies, serving as a barometer of the stock market and economy.
3. NASDAQ: The world's first electronic stock exchange, primarily listing technology giants and operating 29 markets globally.
4. Russell 1000 Growth: Measures the performance of large-cap growth segment of the U.S. equity universe, including companies with higher price-to-book ratios and growth metrics.
5. Russell 1000 Value: Measures the performance of large-cap value segment of the U.S. equity universe, including companies with lower price-to-book ratios and growth metrics.
6. Russell 2000: A market index composed of 2,000 small-cap companies, widely used as a benchmark for small-cap mutual funds.
7. Wilshire 5000: A market-capitalization-weighted index capturing the performance of all American stocks actively traded in the U.S., representing the broadest measure of the U.S. stock market.
8. MSCI EAFE Index: An equity index capturing large and mid-cap representation across developed markets countries around the world, excluding the U.S. and Canada.
9. MSCI Emerging Market Index: Captures large and mid-cap representation across emerging markets countries, covering approximately 85% of the free float-adjusted market capitalization in each country.
10. VIX: The CBOE Volatility Index measures the market's expectations for volatility over the coming 30 days,

often referred to as the «fear gauge.»

11. FTSE NAREIT All Equity REITs: Measures the performance of all publicly traded equity real estate investment trusts (REITs) listed in the U.S., excluding mortgage REITs.
12. S&P U.S. Aggregate Bond Index: Represents the performance of the U.S. investment-grade bond market, including government, corporate, mortgage-backed, and asset-backed securities.
13. 3-Month T-bill Yield (%): The yield on U.S. Treasury bills with a maturity of three months, reflecting short-term interest rates.
14. 10-Year Treasury Yield (%): The yield on U.S. Treasury bonds with a maturity of ten years, reflecting long-term interest rates.
15. 10Y-2Y Treasury Spread (%): The difference between the yields on 10-year and 2-year U.S. Treasury bonds, often used as an indicator of economic expectations.
16. WTI Crude (\$/bbl): The price per barrel of West Texas Intermediate crude oil, a benchmark for U.S. oil prices.
17. Gold (\$/Troy Oz): The price per troy ounce of gold, a standard measure for gold prices.
18. Bitcoin: A decentralized digital currency without a central bank or single administrator, which can be sent from user to user on the peer-to-peer bitcoin network.

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The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange.

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