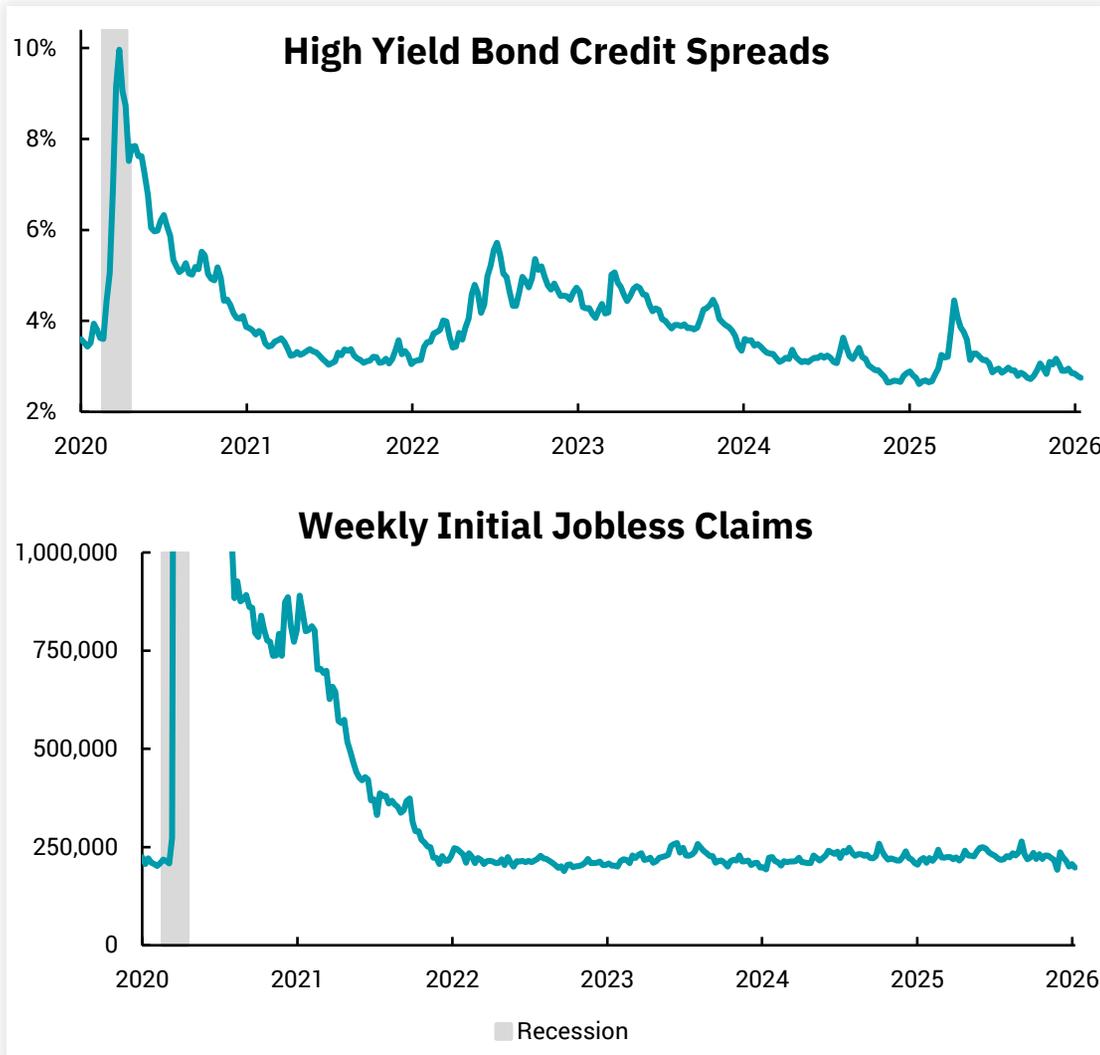


Weekly market update



Chart of the week (Jan. 16, 2026)



We had the opportunity to provide our 2026 outlook on Jan. 15. Joining me for the live panel discussion were our chief investment officer, Brian Henderson, and the president of our wholly owned investment subsidiary, Cavanal Hill, Matt Stephani. Visit our [2026 Market Outlook](#), for a written report of our views. A recording of the event will be posted there shortly.

Our base case for the economy and markets this year is one of more optimism than pessimism. We see a consumer supported by a stable-to-strengthening job market, higher tax refunds, lower tax withholding and stable government spending. We also foresee higher capital expenditure (capex) across a broader part of the economy, driven by artificial intelligence (AI), infrastructure needs and aspects of the One Big Beautiful Bill Act (OBBBA) that incentivize business investment. Within this environment, we see good earnings growth and an inflationary environment that should allow the Federal Reserve to continue lowering rates, albeit slowly. As part of the wrap-up to the event, our moderator, Nasdaq’s global markets reporter Jill Malandrino, asked each of us the key thing we are watching as we move through 2026. As is normally the case, we each provided something that might put our optimistic base case at risk.

Brian highlighted geopolitical risks at the top of his mind—and why not? On top of the ongoing conflict in Ukraine, Middle East peace appears tenuous at best, and recent actions by the U.S. in Venezuela and comments around Greenland suggest the move towards a multipolar economic environment might not be smooth. It is hard to chart geopolitical risks, so for this week’s charts, I chose to represent the topics that Matt and I mentioned—credit spreads for me and weekly jobless claims for Matt.

In both cases, these are indicators that provide regular insight into key aspects of the economy. Credit spreads provide information on how corporate lenders view the repayment ability of corporate borrowers. In a growing economy, one would expect a high percentage of borrowers to repay their debt, and investors might require a narrower spread to compensate for the lower risk. The opposite is true if the outlook is for slowing, or even negative, economic growth. As more companies struggle to pay debts, investors require a higher spread to riskless Treasuries. Meanwhile, weekly jobless claims give us an update on the number of people who lose their jobs in any given week. Low weekly jobless claims numbers, as we have now, are an indication that companies are not trying cut costs by reducing employee levels.

The key will be whether we see a change in recent trends in these indicators. Higher credit spreads and higher weekly jobless claims would present information counter to our outlook—so far, though, this is not what we are seeing.

Weekly market update



Commentary (Jan. 16, 2026)

Domestic Equities

- U.S. stocks were mixed for the week and remain positive for the year. The AI-heavy Nasdaq Composite Index continues to lag other parts of the market. Value is outperforming growth by about 5% year-to-date. The small-cap Russell 2000 Index has been the strongest performer this year, surging ahead of other major indices, a sign that investors see tailwinds in a resilient economy with potentially falling interest rates.
- AI-related stocks got a boost mid-week following a strong earnings report from Taiwan Semiconductor. Their record earnings and profits eased fears that the U.S. semiconductor sector is overvalued and drove semi stocks higher late in the week.
- It was a busy week of financial earnings reports with mixed results. For the most part, we have seen strong earnings growth across major and regional banks with resilient revenue and credit quality. Mixed investor reaction has been driven by political comments, particularly the proposed cap on credit card interest rates.

Bonds

- U.S. Treasury yields were mostly higher for the week, with the yield curve bear-flattening on positive economic data. Expectations for the Federal Reserve to cut rates also fell, with the market pushing out the first rate cut of 2026 to the July 29 FOMC meeting. The U.S. Treasury auctions this week experienced solid demand, with yields trading through the then-issued price at the three-, 10- and 30-year auctions.
- Global credit spreads made news, with the option-adjusted spread on the Bloomberg Global Credit Corporate Index ending the week just shy of 1%. This represents the lowest level the index has seen since 2007.
- The Bank of Korea held its main policy rate unchanged at 2.5%, its fifth consecutive hold, citing concerns over a weakening won, elevated household debt and lingering financial stability risks. U.S. Treasury Secretary Bessent also cited concerns over the recent depreciation in the won, believing the currency doesn't reflect the country's strong economic position.

International Equities

- Investors continued to monitor geopolitical developments while processing new economic and earnings news.
- Positive returns across most European markets and strong gains from Japan drove returns in developed markets. Germany's GDP grew by 0.2% in 2025, providing much-needed relief after contracting in each of the last two years. Europe's largest economy pledged over \$1 trillion to defense and infrastructure, which is beginning to positively impact the economy, resulting in a three-month rise in factory orders and industrial production.
- Emerging markets continued their upward momentum, with most regions moving higher. The U.S. reached a trade deal with Taiwan whereby Taiwan's semiconductor companies pledged to invest at least \$250 billion in U.S. production capacity in exchange for lower reciprocal tariffs. Specifically, the U.S. will lower the reciprocal tariffs from 20% to 15%, and eliminate tariffs on pharmaceuticals, aircraft components and some natural resources.

Economics

- On Tuesday, the Consumer Price Index (CPI) showed a year-over-year increase of 2.7% in December. This was in line with expectations of a 2.6% increase and November's reading of 2.7%. While many had feared inflation would pick up during the year, recent reports suggest it remains under control.
- Wednesday's Producer Price Index (PPI) showed a month-over-month increase of 0.2% and a year-over-year increase of 3.0%. Some of the recent increase has been driven by producers' willingness to absorb part of the costs associated with tariffs.
- Thursday's initial jobless claims came in at 198,000 for the week, below the consensus estimate of 212,000 and the previous week's figure of 207,000. The labor market has shown some signs of cooling, but initial claims continue to indicate broad stability.

Weekly Market Update

For Week Ending January 16, 2026

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	49,359.33	-0.3%	2.7%	16.4%
S&P 500 Index	6,940.01	-0.4%	1.4%	18.4%
NASDAQ Composite	23,515.39	-0.7%	1.2%	22.4%
S&P 400 Midcap Index	3,505.84	1.3%	6.1%	10.3%
S&P 600 Smallcap Index	1,569.62	1.7%	7.0%	11.3%
MSCI EAFE	10,970.86	1.4%	3.5%	34.5%
MSCI Emerging Markets	810.80	2.3%	5.8%	42.3%
Bloomberg US Agg	2,349.05	-0.1%	0.0%	7.3%
Bloomberg Municipal 5 Yr	523.73	0.2%	0.8%	6.0%
Bloomberg US Corporate	3,548.37	0.0%	0.1%	7.9%
Bloomberg Glb Agg ex US Hdq	611.09	0.0%	0.3%	3.5%
Bloomberg High Yield	2,930.84	0.2%	0.6%	8.5%
MSCI US REIT Index	2,457.19	2.9%	4.6%	6.3%
Bloomberg Commodity Index	286.53	1.4%	3.7%	13.6%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	3.75%	3.75%	3.75%	4.50%
3-Month Treasury	3.63%	3.59%	3.63%	4.30%
1-Year Treasury	3.53%	3.50%	3.47%	4.16%
2-Year Treasury	3.59%	3.53%	3.47%	4.23%
5-Year Treasury	3.82%	3.75%	3.73%	4.40%
7-Year Treasury	4.01%	3.95%	3.94%	4.50%
10-Year Treasury	4.22%	4.17%	4.17%	4.61%
30-Year Treasury	4.84%	4.81%	4.84%	4.85%

	Last Price/Yield	Prior Week	Year End	Year Ago
Consumer Rates				
30-Year Mortgage	6.19%	6.22%	6.25%	5.83%
Prime Rate	7.50%	7.50%	7.50%	8.25%
SOFR	3.65%	3.64%	3.71%	4.29%

	Last Price	Prior Week	Year End	Year Ago
Commodities				
Gold (spot)	4,596.09	4,509.50	4,319.37	2,714.31
Crude Oil WTI	59.44	59.12	57.42	78.68
Gasoline	2.83	2.80	2.83	3.12
Natural Gas	3.10	3.17	3.69	4.26
Copper	5.83	5.90	5.68	4.44

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	21.78	23.45	5.86	1.49
S&P 500	22.11	25.77	5.54	1.16
S&P 500 Value	19.11	20.72	3.59	1.84
S&P 500 Growth	25.73	32.56	10.29	0.55
NASDAQ	27.16	36.92	7.73	0.62
S&P Midcap 400	17.16	19.45	2.81	1.51
S&P Smallcap 600	16.26	18.06	2.05	2.22
MSCI EAFE	16.40	17.42	2.27	2.73
MSCI Emerging Markets	13.36	17.15	2.26	3.87

Source: Bloomberg

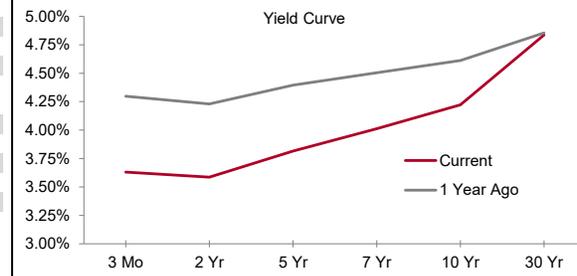
Equity Style



1 Month*			Year to Date*			
Value	Core	Growth	Value	Core	Growth	
Large	2.92	2.13	1.47	2.46	1.43	0.55
Mid	4.73	5.63	6.49	5.49	6.11	6.72
Small	5.75	5.25	4.78	7.12	6.99	6.86

*S&P Indices

Fixed Income Style



1 Month*			Year to Date*			
Short	Interm.	Long	Short	Interm.	Long	
Govt	0.09	-0.08	0.30	-0.07	-0.22	0.11
Corp	0.26	0.23	0.82	0.05	-0.06	0.41
HY	0.82	1.13	1.23	0.42	0.56	0.81

1-3 Yrs 1-10 Yrs +10 Yrs

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	2.7%	2.9%
CPI Core Inflation	2.6%	3.2%
Personal Consumption Exp (PCE) Core	2.8%	2.8%
Jobs		
Unemployment Rate (U3)	4.4%	4.1%
Broader Unemployment Rate (U6)	8.4%	7.6%
JOLT Survey (in millions)	7.15	8.03
Jobless Claims (000's)	198	217
Change in Non-Farm Payroll (000's)	50	323
Average Hourly Earnings (Y/Y % Change)	3.8%	4.0%
Consumer & Spending		
Consumer Confidence (Conf Board)	89.1	109.5
Consumer Spending (\$ Bil)	21,207	20,148
Consumer Credit (\$ Bil)	5,085	5,061
Retail Sales (\$ Bil)	736	712
Housing		
Housing Starts (000's)	1,246	1,352
Case-Shiller Home Price Index	328.44	324.03
U.S. Productivity		
Real Gross Domestic Product (\$ Bil)	24,025	23,479
Quarter over Quarter Change	4.3%	3.3%
Year Over Year Change	2.3%	2.8%
ISM Manufacturing	47.90	49.20
Capacity Utilization	76.26	75.87
Markit US Composite PMI	52.70	55.40
U.S. General		
Leading Economic Indicators	98.3	101.7
Trade Weighted Dollar Index	120.6	129.5
EUR / USD	1.16	1.03
JPY / USD	158.12	155.16
CAD / USD	0.72	0.69
AUD / USD	0.67	0.62

S&P 500 Sector Returns

	1 Month	YTD
Industrials	7.28%	7.60%
Materials	8.70%	7.27%
Energy	10.18%	6.81%
Consumer Staples	4.39%	5.76%
Real Estate	5.06%	4.58%
Consumer Discretionary	1.25%	2.49%
Utilities	1.54%	1.67%
Health Care	1.50%	0.61%
Communication Services	1.91%	0.52%
Information Technology	0.87%	-0.55%
Financial	-0.04%	-0.61%

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