

Markets at a Glance

US Equities	Price	% Change		
		1w	1m	YTD
S&P 500	6 858,47	-1,06	-0,17	0,19
Nasdaq-100	25 206,17	-1,75	-1,89	-0,17
S&P MidCap 400	3 349,39	-0,70	0,88	1,34
Russell 2000	2 508,22	-1,56	-0,53	1,06

Global Equities	Price	% Change		
		1w	1m	YTD
MSCI World	4 445,21	-0,65	0,60	0,33
MSCI Emerging Markets	1 429,48	2,30	3,18	1,79
MSCI North America	6 831,61	-1,02	-0,09	0,25
MSCI Latin America	2 720,31	0,29	0,64	0,41
MSCI Europe ex. UK	235,62	1,29	2,78	0,71
MSCI United Kingdom	2 837,44	0,64	2,94	0,20
MSCI Asia ex. Japan	931,72	2,60	3,24	2,00
MSCI Pacific ex Japan	9 620,91	-0,27	1,92	0,79
MSCI Japan	2 090,05	0,00	1,06	0,00
MSCI Emerging EMEA	261,59	-0,03	3,76	0,92

Fixed Income	YTW	%	yrs	% Change	
				Drtn	1w
U.S. Aggregate	4,35	6,05	-0,19	-0,20	-0,20
U.S. Corporates	4,85	6,94	-0,26	-0,24	-0,24
Municipals	3,59	6,25	0,16	0,05	0,05
Global High Yield	3,55	6,40	-0,21	-0,13	-0,13

FX	Spot	% Change		
		1w	1m	YTD
EURUSD	1,17	-0,45	0,81	-0,23
EURGBP	0,87	0,16	1,04	0,11
EURCHF	0,93	0,05	0,52	0,21
USDJPY	156,84	-0,17	-0,61	-0,08
USDCNY	6,99	0,40	1,20	0,00

Commodity	Price	% Change		
		1w	1m	YTD
Bent Crude	60,75	-2,39	-2,72	-0,16
WTI Crude	57,32	-1,77	-2,25	-0,17
Gold	4 329,60	-3,37	3,42	-0,26
Silver	71,02	-0,02	22,48	0,58
Copper	569,15	3,51	10,28	0,17

Yields	Yield	% Change		
		1w	1m	YTD
U.S. 10Y Treasury	4,19	0,06	0,10	0,02
Germany 10Y Bund	2,90	0,04	0,15	0,05
U.K. 10Y Gilt	4,54	0,03	0,07	0,06

Weekly Recap

Rates: U.S. rates stayed rangebound into year-end, then firmed to start 2026. Over the holiday-shortened week ending 2 Jan, the **10-year Treasury yield rose to ~4.19%** (roughly +7 bps vs 29 Dec), consistent with a mild de-risking tone in equities and positioning ahead of a heavier early-January data slate.

Macro / Policy: Macro signals deteriorated at the margin in U.S. manufacturing: **ISM manufacturing fell to 47.9** for December (10th consecutive month in contraction; **lowest in ~14 months**), highlighting weak demand conditions and elevated cost pressures. On policy expectations, market attention remained on the Fed's reaction function: late-December **FOMC minutes (released in this window) reinforced a conditional easing bias**, further cuts if inflation moderates, while underscoring ongoing debate on timing and persistence

FX: The U.S. dollar started 2026 firmer, snapping some of 2025's weakness as investors repositioned for a data-heavy first week of trading; USD/JPY traded around 156.8 on 2 Jan.

Risk / Sentiment: Risk sentiment shifted in **two steps**:

- Year-end / holiday week (ending 2 Jan): thin liquidity and modest risk-off flows; S&P 500 -1.01%, Nasdaq Composite -1.48%, Russell 2000 -1.05%. Commodities were volatile: **gold -4.7%, silver -9.0%, natural gas -16.7%**, while oil was modestly higher (+0.88%).
- 5 Jan risk-on reversal: equities rallied on a major **geopolitical shock centered on Venezuela** and the oil complex; S&P +0.66%, Nasdaq +0.88%, with the Dow up ~1.24% to a record.

Venezuela / Maduro: A U.S. military operation captured Venezuelan President Nicolás Maduro over the weekend, and President Donald Trump said the **United States would place Venezuela under temporary American control** while pushing to **open up the oil industry**. Markets largely treated this as a sectoral and event-risk shock rather than a broad macro regime shift: **oil settled about \$1 higher** as traders assessed near-term uncertainty around Venezuelan crude flows, U.S. energy stocks outperformed, and Venezuelan sovereign and PDVSA bonds rallied sharply on the view that a transition could eventually enable a debt restructuring and, over time, a recovery path for oil production.

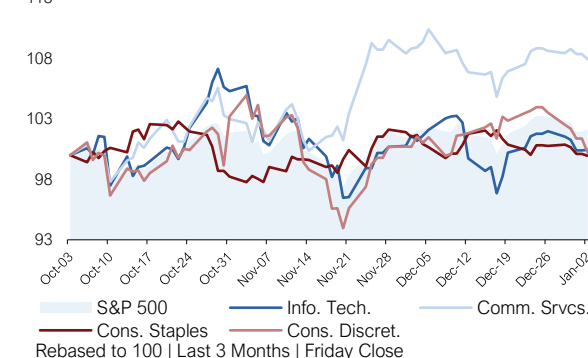
Market Implications

Equities: Holiday-thinned trading left major U.S. indices lower on the week (S&P 500 down about 1% and Nasdaq down about 1.5%), consistent with a mild de-risking tone as yields firmed into the first session of 2026. On 5 Jan, risk appetite rebounded as **energy and financials led gains after the U.S. operation** that captured Maduro lifted oil and re-priced near-term geopolitical risk.

Macro Assets: Treasury yields moved higher and the dollar firmed into early January, keeping attention on incoming U.S. data and the implied Fed path. **Oil prices gained on Venezuela-related headlines**, although the broader supply backdrop still argues against a durable upside move unless disruptions become sustained.

Sector Pulse (Rel. vs S&P 500)

- **Info Technology** | -0.27pp | yield-sensitive tech pause
- **Comm Services** | +0.19pp | mega-cap defensives bid
- **Consumer Staples** | +0.43pp | risk-off defensives
- **Consumer Discretionary** | -2.30pp | Q4 Tesla miss



Week Ahead

Macro: Wed ADP + ISM Services/JOLTS; Fri US payrolls.

Central Banks: No decisions (next FOMC Jan 27–28).

Policy / Geopolitics: CES (Jan 6–9).

Key Risk: Payrolls-driven rates shock; oil volatility on Venezuela headlines.

Overview

TMT traded with a more selective tone, as holiday thinned liquidity and rising yields weighed on high duration growth while investors continued to differentiate within AI exposed names. Software and platform companies with clearer paths to operating leverage, cash generation proved more resilient.

Major Movers

Stocks	Price	%Change			
		1w	1wRel	1m	%52w
Micron	315.42	10.0	11.3	34.7	99.9
Intel	39.38	8.9	10.2	-10.0	82.4
Alphabet	315.15	0.3	1.2	-1.4	92.7
AMD	223.47	3.9	5.2	2.7	77.1
Netflix	90.99	-2.8	-2.0	-12.5	17.1
Microsoft	472.94	-3.1	-1.8	-1.0	60.8
Applovin	618.32	-15.0	-14.2	-6.6	76.6
Baidu	143.80	20.0	20.9	24.2	99.6

Relative to S&P Information Technology and S&P Communication Services
Prices in local currencies. Data from Bloomberg.

Top Performers

- **Micron:** Memory-cycle optimism and AI demand tailwinds.
- **Intel:** CES catalyst and next-gen AI PC chip focus.
- **Baidu:** AI chip unit Kunlunxin spin-off/listing headlines.

Worst Performer

- **Applovin:** Profit-taking after outsized prior run.

Newsflow

Policy / Regulation: Regulatory developments focused on **implementation rather than new legislation**, with progress across **telecom modernization, AI oversight, and infrastructure policy**. In the US, regulators advanced proposals to modernize **telecommunications relay services**, signaling a shift away from legacy TTY-based requirements toward internet-based solutions, alongside stricter user registration to curb fraud. While manageable operationally, the changes affect how operators structure accessibility services and compliance costs. In Europe, authorities continued to clarify **AI Act enforcement timelines**, particularly around transparency and obligations for large model providers, reinforcing near-term compliance uncertainty but raising longer-term barriers to entry. Separately, tighter environmental reviews for **data centers** highlighted that power availability and grid access are becoming binding constraints for AI and cloud expansion.

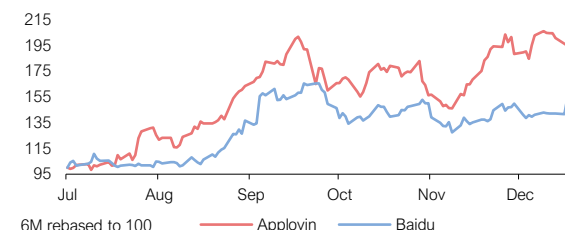
Corporate Actions: Corporate activity across TMT remained oriented toward **AI infrastructure and operating scale** rather than headline, transformational deals. Capital continued to migrate toward **data centers, power access, fiber, and high-capacity networks**, while management teams revisited legacy and non-core assets that absorb balance-sheet capacity without improving AI-era growth, resilience, or capital efficiency. **SoftBank's agreement to acquire DigitalBridge** reinforced investor conviction that **ownership of digital infrastructure** is becoming strategically indispensable as **AI workloads expand and power constraints tighten**.

At the company level, capital markets increasingly functioned as a valuation-unlock lever for embedded AI optionality. Baidu's filing to list its AI chip unit Kunlunxin in Hong Kong was read as both a catalyst and a signal that its **AI hardware business is moving toward clearer standalone economics**. In media, corporate actions skewed more defensive: **Warner Bros.** Discovery favored structures with **lower execution and financing risk**, as they **prepare to reject Skydance/Paramount's hostile bid**, highlighting that certainty and strategic alignment are now taking precedence over headline valuation in sector consolidation, an environment that can advantage, well-capitalized partners, Netflix.

Earnings / Guidance: Earnings related commentary across TMT continue to reflect a market that is prioritizing operating leverage and financial discipline over headline AI investment. Cloud and platform investors are increasingly focused on **whether AI driven capex is translating into sustainable margin expansion and free cash flow, rather than simply accelerating revenue growth**. This dynamic has been visible over recent quarters as hyperscalers such as **Microsoft and Alphabet** have emphasized **improving cloud profitability and cost control alongside AI investment**, while peers with weaker margin trajectories have seen relative valuation pressure following earnings.

Industry data: Industry data point to a maturing AI investment cycle, with **spending broadening beyond GPUs toward the full infrastructure stack** required to deploy models at scale. Recent disclosures and reporting highlight growing investment in custom application specific chips, high speed networking, advanced packaging and manufacturing, as companies seek cost efficiency and performance advantages once models move from training to production. Examples include **Amazon continuing to expand internal silicon development for cloud workloads** and **OpenAI exploring custom chip strategies** to reduce long term dependency on third party suppliers.

Stock Spotlight



Contrast in the beginning: Applovin shares faced a sharp correction entering 2026, dropping ~8% to below \$620 amid **concerns over sustained high margins** (Adj. EBITDA >80%), **large cash reserves for an ad-tech company**, and an **ongoing SEC investigation into data practices**. Despite the pullback, **Q3 revenue surged to \$1.4B** (+68% YoY), fueled by AI-driven mobile growth and e-commerce platform expansion. The stock enters 2026 under **AI valuation pressure**, yet growth catalysts remain intact, including the new self-service AI tool and projected revenue reaching \$8B (40% upside potential). In contrast, **Baidu** shares went up by 15-20% in early 2026 to around \$150, driven by progress toward the **Kunlunxin AI-chip IPO in Hong Kong**, a **key holding expected to unlock significant value**. After a 2025 transition year marked by **strong AI services growth (Q3 alone ~\$1.2B, 50% YoY)** and **autonomous driving advances that delivered ~60% stock gains** for the full year, Baidu heads into 2026 with momentum. Key catalysts include the anticipated Kunlunxin IPO (analyst targets ~\$180), expanding robotaxi partnerships with Uber and Lyft, and continued support from prior-year share buybacks.

Week Ahead – TMT

- The technology sector enters a defining week as **CES 2026** begins in Las Vegas, with major keynotes from **NVIDIA, AMD, and LENOVO** all sharing major views on AI and robotics, shifting the narrative from AI software to AI-native hardware.
- The **December Jobs Report** on the 9th, with a consensus for a **"low hire" print**, may reinforce **AI productivity beliefs**, where firms don't need a higher headcount for the same growth, also indicating possible Federal Reserve rate cuts that would benefit these firms.
- Media and Telecom pivots to aggressive monetization, as Disney enforces its **price hike for the "ESPN Unlimited" bundle** to **increase average revenue per user**.

Overview

The sector was headline-driven: autos/EVs weakened on **Tesla's delivery miss**, while **home-furnishings rallied after tariff hikes** were delayed. Staples lagged as yields firmed and investors rotated away from defensives, despite holiday data pointing to steady low single-digit spending growth led by e-commerce and promotions.

Major Movers

Stocks	Price	% Change			
		1w	1wRel	1m	%52w
Walmart	112.76	1.0	1.9	-1.4	87.5
Coca-Cola	69.12	-1.4	-0.5	-2.4	61.8
Costco	854.50	-2.0	-1.1	-7.3	4.5
Procter & Gamble	141.79	-1.9	-1.0	-3.4	8.7
Nike	63.28	5.5	9.1	-3.6	36.5
RH	193.41	5.7	9.3	19.2	21.1
Tesla	438.07	-9.8	-6.1	-1.9	78.6
Alibaba	149.00	1.2	4.8	-3.5	66.0

Relative to S&P Consumer Staples and S&P Consumer Discretionary
Prices in local currencies. Data from Bloomberg.

Top Performers

- o **Nike**: Moved higher on improved sentiment after CEO Elliott Hill disclosed an open-market share purchase.
- o **RH**: umped after the White House delayed planned tariff hikes on key home-furnishings categories.

Worst Performers

- o **Tesla**: Q4 missed expectations and 2025 deliveries declined.

Newsflow

Policy / Regulation: Trade policy was the main sector-level policy lever. The Trump administration postponed scheduled tariff increases on upholstered furniture and on kitchen cabinets/vanities for one year, keeping the existing 25% rate in place rather than stepping up to higher levels at the start of 2026. The decision immediately eased near-term margin and pricing risk for furniture and home-improvement importers, and it reinforced the broader 2026 setup where discretionary categories with China/Vietnam-heavy sourcing remain headline-sensitive to tariff timing. In parallel, the administration indicated materially **lower proposed duties on Italian pasta** versus earlier indications, reducing the risk of abrupt price shocks in select food import categories.

Corporate Actions: Corporate activity skewed toward governance pressure and strategic repositioning rather than large cap M&A. In US retail, **Target continued to trade under the shadow of activist involvement** after reports that Toms Capital built a stake, reviving familiar debates around operational fixes versus more aggressive balance-sheet or real-estate options. In apparel, **activism moved to the foreground at Lululemon**, where founder **Chip Wilson launched a proxy fight focused on board refreshment** during an ongoing CEO transition, underscoring how brand momentum and product innovation are now central to the equity story across premium discretionary. In staples, portfolio-reset themes stayed prominent into year-end as investors tracked management teams' willingness to simplify and divest, with **Kraft Heinz's CEO transition effective from 1 January** keeping attention on the company's planned split and potential asset actions over the medium term.

Earnings / Guidance: The week's dominant fundamental print for consumer was **Tesla's Q4 production and delivery update** (released 2 January), which came in **below expectations and confirmed a second consecutive annual decline in deliveries**. The result weighed on autos and EV-linked discretionary complex broadly, not only via Tesla beta but also via renewed scrutiny on pricing, incentives, and competitive intensity heading into 2026. For **Nike**, the tape was less about new financials and more about positioning and credibility: **insider purchases by senior leadership** remained a focal point as investors attempted to identify whether the late-December selloff marked capitulation or merely a pause in the turnaround timeline.

Industry data: Holiday and post-holiday read-throughs pointed to a resilient consumer, but with clear value-seeking and channel bifurcation. Payments trackers continued to frame **US holiday spending around low-to-mid single-digit growth**, with e-commerce materially outpacing in-store as promotions and convenience remained decisive. In the UK, **NielsenIQ reported Christmas grocery sales up 2.5% year-on-year** in value while volumes slipped slightly, with promotional intensity rising and online growth accelerating, a pattern consistent with staples demand holding up but households still managing budgets tightly. Discounters remained the clearest share-gain story, with Aldi reporting its best-ever Christmas period and pointing to consumers spreading spend earlier and eating more meals at home.

Week Ahead – TMT

- o Focus shifts to macro-driven demand signals (**US payrolls and services activity**) and to **UK grocers' trading updates later in the week**, which should provide a fresh read on post-holiday elasticity, promotional intensity, and discounter share gains.

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