

WEEKLY MARKET COMMENTS - FEBRUARY 2, 2026 - EXTERNAL

Financial markets churned on Friday as investors tried to figure out what the President's new nominee to lead the Federal Reserve, will mean for interest rates.

U.S. stocks fell, with the S&P 500 down 30 points to 6939, while the Dow Jones Industrial Average dropped 179 points to 48,892 and the Nasdaq dropped by 223 to 23, 462. For the week, the only index that was up was the S&P which gained 23. And the Russell 2000 index, which reached new highs this past week, came down by 2%.

The value of the U.S. dollar rallied, but only after swiveling a couple times following the nomination of Kevin Warsh. And some of the wildest action was again in precious metals markets, where gold and silver prices plunged following their stellar runs over the last year.

Whoever leads the Fed has a big influence on the economy and markets worldwide by helping to dictate where the U.S. central bank moves interest rates. Such decisions lift or weigh on prices for all kinds of investments, as the Fed tries to keep the U.S. job market humming without letting inflation get out of control. The President has been pushing for lower interest rates, which usually help goose the economy but can also cause higher inflation.

A fear in financial markets has been that the Fed will lose some of its independence because of the President. That fear in turn helped catapult the price of gold and weaken the U.S. dollar's value over the last year.

The longtime assumption has been that the Fed should operate separately from the rest of Washington so that it can make moves that are painful in the short term but necessary for the long term. To get inflation down to the Fed's goal of 2%, for example, may require the unpopular choice to keep interest rates high and grind down on the economy for a while.

The big question is what Warsh's nomination, which still requires approval from the Senate, means for the Fed's independence.

Warsh used to be a governor on the Fed's board, so investors are familiar with him. That could also mean Warsh is familiar with and hopes to continue

the institution of the Fed as an independent operator. And while with the Fed, Warsh criticized the central bank's buying of bonds to keep interest rates low.

Some took Warsh's nomination as an encouraging signal for a still-independent Fed that will keep rates high, if necessary. Besides slowing the economy, higher interest rates could push downward on stock prices.

But Warsh has also recently been critical of the Fed's current chair, Jerome Powell, and has voiced support for lower rates. This doesn't necessarily mean that Warsh will push the Fed into rate cuts soon, but it could indicate he may be quicker to do so when the time comes.

Stocks of metals miners tumbled as the price of gold dropped 11.4% to settle at \$4,745.10 per ounce. Gold's price suddenly ran out of momentum following a tremendous rally where it roughly doubled over 12 months. It topped \$5,000 for the first time on Monday and was around \$5,600 at one point on Thursday. It ended at \$4,745 on Friday.

Silver, which had been on a similar, jaw-dropping tear, fell even more. It plunged 31.4% to 85.45 after getting as high as 120 on Thursday as well.

Prices for gold and other precious metals had been surging as investors looked for safer places for their money while weighing a wide range of risks, including a potentially less independent Fed, a U.S. stock market that critics say is expensive, threats of tariffs and heavy debt loads for governments worldwide.

The dramatic halt may have been inevitable given how far and how fast metal prices had surged over the last year. Nothing goes up in price forever.

Prices of some stocks continued to do well after earnings, such as SNDK and STX. TSLA also gained on Friday after its reported profit.

And how about AAPL, which reported terrific numbers on Thursday evening, which had sent the stock higher by 10 points at the time. But on Friday, it opened lower by almost 4 points and remained there until mid-afternoon when it roared back and ended at 259.48. This meant that the 260 upside calls, with the most open interest at 260, went out worthless, and the 260 downside puts, which also had 26,000 positions, went out almost completely worthless as well. This was another classic example of the old "Max Pain" theory put on the buyers of these options, which means that the final price of the stock is

determined by where the options go instead of the stock price controlling where the options finish.

Bond yields remained a little higher with the 10-year Note at 4.24%. It has remained well above the 2-year yield, which the Fed can control more readily through its operations in this area.

This week sees the following earnings: today - Dow component DIS and PLTR; Tuesday - Dow component MRK and AMD; Wednesday - GOOG and LLY; Thursday - AMZN and BMY.

Economic reports will see: Friday - the January jobs report, for which the estimate is 65,000 and this follows the December gain of 50,000 while the unemployment rate is supposed to stay at 4.4%.

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