

WEEKLY MARKET COMMENTS – JANUARY 5, 2026 – EXTERNAL

After doing well in the first of the two final weeks of the year, as has been the historical pattern, the major indices all declined in the week just ended and thus broke what had been a pretty consistent pattern of gaining nicely in the final two weeks of the calendar year.

For instance, the S&P dropped by 1% for the week and included its first five-day losing streak since April, the Dow was down by 0.7%, the Nasdaq fell for six straight days for 1.8% while the Russell 2000 Index of small stocks went lower by 1%.

The Nasdaq was hurt by declines in TSLA after it said that car deliveries had slowed down, and by MSFT, which has been lagging badly lately.

But the overall market appears to be in good shape because it assumes the Federal Reserve should continue to keep lowering interest rates and this could assist the economic expansion. And AI will continue to accelerate earnings growth.

According to Barron's newspaper, this explains why the VIX is at 14.5%, and that is lower than the 26% level after a higher rate in late November. This current level is right at the bottom of its range for the past five years.

The S&P has advanced by more than 10% in each of the past three years, which resulted in an astounding 78% in this tie period. During the nine times that the index was up by this amount, the average gain the following year was only 4.6%, and five of those years saw declines including 2022, which fell by 19%.

The three best Nasdaq performing stocks this past year do NOT include the storied members of the so-called “Magnificent Seven” but are the following - MU, Micron Technology, higher by 240%, followed by APPL and LRCX, which are ahead by more than 100%, and these two are obviously tech related as well – Applovin and Lam Research.

Technology have been leaders this past year because of advances in AI and the potential for growth within the sector. Investors have been hoping that computer chip demand and demand for data centers should justify their pricey stock values.

Furniture companies rose after the President delayed higher tariffs on upholstered items, with RH and W doing well.

Chinese e-commerce giants BABA and BIDU gained after Hong Kong said it would list them early in 2027, subject to regulatory approval.

The first full week in 2026 will see: Monday – the I.S.M. will release both its manufacturing and service purchasing managers' indices for December, estimated to be 48.4 and 52.2 two days later; Wednesday – the B.L.S releases its estimate for job openings on the last business day of November, about unchanged from the prior month; Friday – the December jobs report is expected to show a 55,000 increase for that time after 64,000 in November and the unemployment rate is supposed to edge down to 4.5%; the U. of Michigan Consumer Sentiment Index is supposed to show 53.5.

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