

Good morning,

What's in this week's Report:

- How Venezuela Could Impact Markets
- Weekly Market Preview: Does Economic Data Start 2026 Goldilocks?
- Weekly Economic Cheat Sheet: The Big-Three Monthly Economic Reports This Week
- Sentiment Update: Not Nearly as Bullish as One Would Think

Futures are modestly higher despite more geopolitical volatility as the U.S. shocked the world by infiltrating Venezuela and arresting President Maduro.

Market reaction to Maduro's arrest has been generally muted; however, in oil markets, oil is only slightly higher, as political change in Venezuela is likely to mean more oil production, not less.

There were no notable economic reports overnight.

Today's focus will be on geopolitics (any continued fallout from the Maduro arrest) and economic data, as we get our first important economic report of 2026, the ISM Manufacturing PMI (E: 48.4). Stability remains the key for economic data as we start the new year, so that markets will welcome an in-line or slightly better number.

Market	Level	Change	% Change
S&P 500 Futures	6,919.50	19.00	0.28%
U.S. Dollar (DXY)	98.79	0.37	0.38%
Gold	4,418.50	88.90	2.09%
WTI	57.80	0.48	0.84%
10 Year	4.187%	-0.004	-0.10%

## Stocks

### **Last Week (Needed Context as We Start a New Week)**

Stocks bled steadily lower over the course of last week amid mostly quiet news flow and thin holiday trade as portfolio managers booked profits and repositioned into the new year. The S&P 500 ended the week down 1.00%, but the index broke a four-day losing streak on Friday to end the first session of 2026 with a gain of 0.21% (total returns).

U.S. equity markets were modestly lower to start last Monday as a much stronger-than-anticipated Pending Home Sales release and weak results in a set of short-duration Treasury Bill auctions saw yields come off their lows, adding a mild headwind to a largely directionless market at the start of the week, with year-end profit-taking remaining a key theme. The S&P 500 fell 0.35%

The major indexes were mostly lower early Tuesday as late-year profit-taking continued amid stronger housing-market data from the Case-Shiller Home Price Index and ongoing geopolitical issues overseas, including the U.S.-Venezuela standoff in the Caribbean and surprise Chinese military drills near Taiwan. A hawkish-leaning release of the December Fed meeting minutes was met with a yawn, leaving the S&P 500 down 0.14%.

The year-end pullback persisted through Wednesday's final session of the year as a strong Jobless Claims report pushed back further on the Dovish Fed "pillar" that's supported markets for much of last year. News flow was notably quiet, and an afternoon attempt to rebound to the "magnetic" 6,900 mark failed to generate any bullish momentum, leaving the S&P 500 to rollover into the close, ending down 0.74%.

After Thursday's market closure in observance of the New Year's, stocks saw a strong start to 2026 on Friday with the major indexes gapping higher at the open amid renewed AI enthusiasm, underscored by moderate strength in NVDA, and a 10.5% rally in MU shares. An as-expected S&P Global U.S. Composite PMI, which signaled ongoing growth in the domestic economy, saw Treasury yields extend recent gains and further tamp down dovish Fed policy optimism, with much of the morning's gains given back. The S&P 500 ended higher by 0.19%.

#### *How Venezuela (and Other Geopolitics) Could Impact Markets*

The first surprise of the year came early as U.S. forces infiltrated Venezuela and arrested President Maduro, adding to a now-lengthy list of geopolitical "hot spots" for investors to consider as we start the year. Given this surprise news and Venezuela's position as a major oil exporter, I wanted to cover how the news from Venezuela (and other geopolitical hot spots) could impact markets in the new year.

Starting with Venezuela, while the situation is still very fluid, especially with regards to who is running the country, the reality is that the problem is unlikely to impact markets (joining the list of other hot spots that similarly haven't impacted markets despite shocking headlines). The reason the ouster of Maduro is unlikely to affect markets is the same one that explains why the Russia/Ukraine war hasn't impacted markets, nor have the heightened U.S./Iran tensions: oil **supplies**.

Markets view geopolitical events solely through the lens of their impact on critical resources (mostly oil). Unless the event is likely to reduce the supply of available oil (and raise prices, which could slow global growth), markets will largely ignore it. In the case of Venezuela, the events of the weekend could, if anything, boost oil supplies.

Since Venezuela nationalized its oil sector over a decade ago under then-President Hugo Chavez, the country's oil production has declined. Loosely, oil production in Venezuela has dropped from 3 million barrels per day to approximately 1 million barrels per day. Regardless of Venezuela's political future, it's reasonable to assume that Western oil companies will be allowed back into the country, and with improvements, the trend in oil production from Venezuela should be higher, not lower.

That could add to an already globally oversupplied oil market, which should pressure oil prices over time (and that's good for global growth and corporate profits). Looking forward, from a market standpoint, the key variable for Venezuela is oil production; unless news breaks that implies a decrease in oil production, it shouldn't impact markets.

Turning to the other two geopolitical hot spots, Russia/Ukraine and U.S./Iran (where tensions are rising again), the key for both remains oil supplies. Barring significant damage to Russian oil infrastructure (which seems unlikely), the stalemated conflict is unlikely to impact markets negatively.

Regarding the U.S. and Iran, as we saw last summer, direct conflict did not sustainably spike oil prices, in part because Iran isn't a major global oil exporter anymore due to sanctions and poor infrastructure. However, if a conflict between the U.S. and Iran results in the closure of the Strait of Hormuz or other major global oil transit routes, it would create a negative impact on markets, as oil prices would rise sharply in response.

Cutting through the headline noise of geopolitical events to focus on direct market impact can be challenging. Still, unless these conflicts directly affect supplies of a vital economic resource (e.g., oil), they are unlikely to affect markets negatively, and that is likely the case with Venezuela despite the shocking headlines and actions.

## Economic Data (What You Need to Know in Plain English)

### Last Week

Economic data was sparse by the end of 2025, with only two notable reports last week, neither of which shifted the outlook for economic growth (which is stable as we start the year) or Fed rate cuts (the next cut will be at the April meeting, according to Fed Watch).

The FOMC minutes from the December meeting were the highlight event last week, but they did not alter the outlook for rate cuts. That said, some notable takeaways could lead the Fed to be a bit more dovish in 2026 than currently expected.

First, most Fed members agreed that if inflation were to recede, they would be more open to cutting rates than they are right now. That suggests that if inflation metrics decline in early 2026, the chances of additional rate cuts will rise regardless of what growth is doing. Second, many Fed members were more concerned about the labor market than inflation, and if the labor market continues to lose momentum (remember, the unemployment rate is at a four-year high), that could invite more rate cuts than expected in early 2026.

Beyond those two points, the minutes revealed what we already know: A deeply divided Fed that "isn't sure" when, or even if, to cut rates next. While not typical, it is ok for this market as we start the new year, since it's the same thing we've been dealing with for the past several months.

In the only notable economic report last week, weekly jobless claims fell to 199k vs. (E) 218k. Jobless claims have remained historically low, reinforcing the reality of the current "no hire/no fire" labor market. Claims around the holidays need to be taken with extra scrutiny, as holiday temp hiring always distorts the data, so it'll take until mid-January to get a "clean" view of claims. However, the bottom line is that claims are still historically low. They aren't anywhere near levels (above 260k, towards 300k) that would make us concerned about the labor market deteriorating to the point where an economic stall becomes possible.

### Important Economic Data This Week

The new year starts with a proverbial bang from an economic standpoint as we get the "Big Three" monthly economic reports on time and on schedule for the first time since September. And by the end of this week, we'll have a good idea just how solid economic growth is as we begin the year.

The key print this week is Friday's jobs report. Typically, the jobs report is always the most important economic report of each month, but that's especially true now because we know the Fed is concerned about the labor market. So, substantially disappointing labor market data could 1) increase the odds of a Fed rate cut but also 2) boost slowdown fears (which are currently very low). Conversely, a firm number could push back on rate-cut hopes (short-term negative for stocks). We'll have our regular Jobs Report Preview in Thursday's report. Still, the bottom line is stable, an unspectacular job adds with no further upward movement in the unemployment rate is the best-case scenario for this report.

The next two most important economic reports are today's ISM Manufacturing PMI and Wednesday's ISM Services PMI (our Wednesday). Those two indicators remain healthy, generally speaking. Still, they are not far away from sending a more concerning signal on growth if 1) The manufacturing PMI falls further away from 50 and signals a sudden, deeper contraction in activity, and 2) The Services PMI drops below 50 for two or three consecutive months, sending a historically accurate slowdown signal. Bottom line, both PMIs are "fine" for now, but they bear watching as they are also both close to turning more negative.

Finally, with regard to the rest of next week's data, it's really "jobs week," as we also get the ADP report and JOLTS on Wednesday, as well as jobless claims and Challenger layoffs on Thursday. By the end of this week, we'll know whether the labor market remains "good enough" to keep general economic expectations solid (and while that doesn't get a lot of attention, stable economic growth is the foundation under the entire market, and if it comes into doubt, stocks will drop).

## Special Reports and Editorial

### Sentiment Update: Not Nearly as Bullish as One Would Think

It was another strong year in the markets, so we wanted to give an update on investor and advisor sentiment to see if people were "too bullish" following the strong returns and if that enthusiasm might set up for a disappointing start to 2026. Positively, sentiment surveys indicate that investors are not overly bullish, at least not to levels that would make us more nervous about an imminent pullback once the calendar turns.

- **AAll Investor Sentiment Survey shows 37.5% bulls, which is in line with the long-run average.** This survey asks respondents (individual investors) whether their outlook is bullish or bearish, and the percentage of respondents that say they're bullish, bearish, or neutral is tracked over time. The historical average for bulls is 37.5%. After rising above 40% in early December, this number receded over the past week and now sits almost perfectly on the long-term average. That reading reflects general optimism, but not the kind of aggressive bullishness that would make us nervous about stocks being too stretched.

- **The CNN Fear/Greed Indicator currently sits at 50% (on a scale of 0-100). That's perfectly in the "neutral" range.** The Fear/Greed Index has become more widely followed on the Street because it incorporates seven indicators of momentum and sentiment. As such, it provides a wide view of current investor and market sentiment. Like the AAll reading, it's almost perfectly "average" as we end this strong year of performance, again a surprising result given we're in the midst of a three-year-plus bull market. Regardless, the Fear/Greed index, which can be volatile, is surprisingly balanced as we start the new year.

· **Investors' Intelligence Advisor Sentiment Survey has a Bulls/Bears spread of 35.8%, slightly in the “elevated chances of a correction” range.** The Investors' Intelligence Advisor Sentiment Index is similar to the AAI survey, but it polls financial advisors rather than individual investors. The key to this index is in the Bulls/Bears spread (the difference between the two). Advisors have been consistently more bullish on this market than regular investors in recent months, and, to a point, that's still true in this final reading, as advisors are slightly bullish enough to push the spread into the “elevated chances of a correction” range. However, at 35.8%, it is low enough that the reading shouldn't give us pause.

Bottom line, sentiment is not as universally bullish as the relentless rally would imply, and while that doesn't mean a pullback in January won't happen (numerous potential catalysts are starting with Friday's jobs report), the reality is sentiment is not overwhelmingly bullish like in some years past (2021) when the markets opened with a proverbial “thud.”

**Disclaimer:** The Weekly Advisory Update is provided to clients on an informational basis only and is not intended to be considered investment advice or recommendations to buy or sell any security or a solicitation to buy or sell any security. Information contained in The Weekly Advisory Update is compiled from various sources and is not necessarily complete, and its accuracy is not guaranteed. Neither the information contained in The Weekly Advisory Update or any opinion expressed in The Weekly Advisory Update constitutes a solicitation for the purchase of any future or security referred to in the Newsletter. The Newsletter is strictly an informational publication and does not provide individual, customized investment or trading advice to its clients. CLIENTS SHOULD VERIFY ALL CLAIMS AND COMPLETE THEIR OWN RESEARCH AND CONSULT A REGISTERED FINANCIAL PROFESSIONAL BEFORE INVESTING IN ANY INVESTMENTS MENTIONED IN THE PUBLICATION. INVESTING IN SECURITIES, OPTIONS AND FUTURES IS SPECULATIVE AND CARRIES A HIGH DEGREE OF RISK, AND SUBSCRIBERS MAY LOSE MONEY TRADING AND INVESTING IN SUCH INVESTMENTS.

REPRESENTATIVES ARE REGISTERED THROUGH, AND SECURITIES ARE SOLD THROUGH NATIONWIDE PLANNING ASSOCIATES, INC., MEMBER FINRA/SIPC, LOCATED AT 32-16 BROADWAY, 2<sup>ND</sup> FLOOR, FAIR LAWN NJ 07410. INVESTMENT ADVISORY SERVICES ARE OFFERED THROUGH NPA ASSET MANAGEMENT, LLC. INSURANCE SOLD THROUGH LICENSED NPA INSURANCE AGENCY, INC. NON-DEPOSIT INVESTMENT PRODUCTS ARE NOT FEDERALLY INSURED, INVOLVE INVESTMENT RISK, MAY LOSE VALUE, AND ARE NOT OBLIGATIONS OF OR GUARANTEED BY THE BROKER/DEALER. NATIONWIDE PLANNING ASSOCIATES, INC. IS A REGISTERED BROKER/DEALER.



**Richard Rose AIF®**  
917-597-7432  
rrose@nationwideplanning.com