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WEEKLY ECONOMIC UPDATE JAN. 12, 2026

Stocks posted solid gains in an action-packed week of market-moving economic data, geopolitical news, and bullish new year sentiment.

The Standard & Poor's 500 Index gained 1.57 percent, while the Nasdaq Composite Index added 1.88 percent. The Dow Jones Industrial Average rose 2.32 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, advanced 1.41 percent.[1,2]

Santa Visits Dow, But Not S&P, Nasdaq

Stocks rose early Monday, led by the Dow Industrials, as investors looked past the news from Venezuela.

By Monday's close, the Dow Industrials had gained enough to make the "Santa Claus Rally" a reality, pushing the Average to a 1.1 percent gain for the seven-session period (the last five trading days of 2025 and the first two of 2026). However, the S&P and Nasdaq came up short.[3]

All three major averages continued their rise through midweek as the AI trade—led by chip manufacturers—helped momentum. The Dow Industrials crossed the 49,000 level for the first time, and both the S&P 500 and Dow hit record closes as well as all-time intraday highs.[4]

The Dow then moved back into the "pole position" over the next session as investors appeared to rotate out of technology stocks and into other sectors, including cyclical stocks. Defense stocks got a boost from the president's call for a $1.5 trillion annual defense budget in 2027—higher than the Pentagon's target.[5,6]

The December jobs report, released on Friday, showed modest job gains and a slight decline in the unemployment rate. Investors cheered the news, believing the update gave the Fed some flexibility with rates at its January meeting.[7]

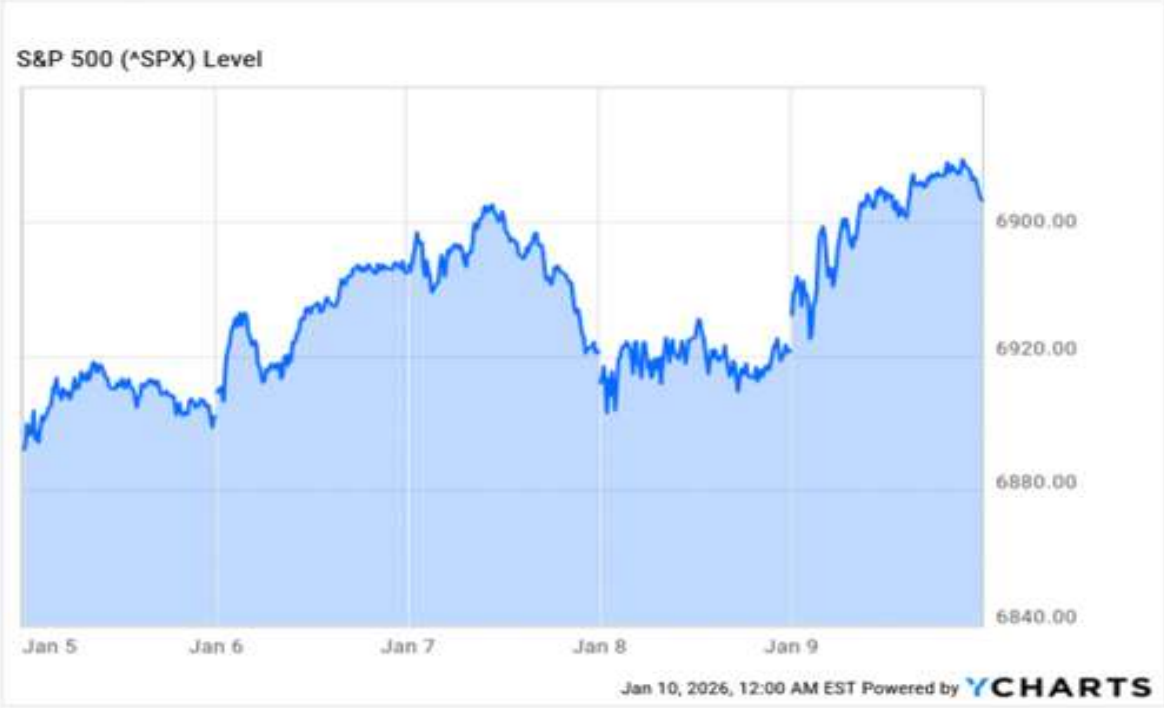
YCHARTS

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
MSCI EAFE	3.92%	1.47%	33.24%	54.62%
Dow Jones Industrial Average	3.28%	2.54%	17.55%	74.44%
S&P 500	1.19%	1.14%	18.46%	94.73%
Nasdaq Composite	-0.24%	1.03%	21.32%	84.54%

S&P 500 Daily Close



10-Year Note Review

Indicator Name Date	Latest Value	1M Ago 3M Ago 1Y Ago	1M Change 3M Change 1Y Change
10 Year Treasury Rate 01/09/26	4.18%	4.18% 4.14% 4.68%	0.00% — 0.97% ▲ -10.68% ▼

Jobs Report

The Labor Department's latest employment report showed a net gain of 50,000 jobs last month while unemployment ticked down to 4.4 percent, missing economists' expectations of 73,000 jobs.[7]

Over the full year, net job growth averaged 49,000 per month—the lowest monthly pace in 22 years and a drop from 168,000 per month in 2024. Federal job cuts were a primary reason for the sluggish labor market in 2025, with 277,000 government positions eliminated.[7]

This Week: Key Economic Data

Monday: Fed Presidents Tom Barkin (Richmond), Raphael Bostic (Atlanta), and John Williams (New York) speak.

Tuesday: NFIB Small Business Optimism Index. Consumer Price Index (CPI). New Home Sales* (Oct). Fed Presidents Alberto Musalem (St. Louis) and Barkin (Richmond) speak. Federal Budget Deficit.

Wednesday: Retail Sales* (Nov). Producer Price Index (PPI)* (Nov). Business Inventories* (Oct). Existing Home Sales. Federal Reserve's Beige Book. Fed Presidents Neel Kashkari (Minneapolis), Bostic (Atlanta), and Williams (New York) speak. Fed Governor Stephen Miran speaks.

Thursday: Weekly Jobless Claims. Import Prices* (Nov). Fed Governor Michael Barr and Fed Presidents Jeff Schmid (Kansas City) and Barkin (Richmond) speak.

Friday: Industrial Production. Capacity Utilization. Fed Vice Chair Philip Jefferson and Fed President Barkin (Richmond) speak.

"If we measured the economy by quality-of-life instead of GDP, we'd be in a depression."

– Tyler Durden

In 2025, the prices of precious metals rose sharply, with silver prices recently surging past $80 per ounce. Of course, when precious metals rise, there is always the same group of commentators (mostly paid newsletter writers and physical metal dealers) to declare that a financial breakdown is underway. They argue that we are in the early stages of fiat currency failure and systemic collapse. These narratives often rely on the assumption that sudden gains in precious metals represent a mass flight from fiat currencies into “real money.” They claim that this behavior presages delivery defaults on futures contracts, a breakdown of trust in exchanges, and eventual repricing of metals into extreme valuations, such as $200 silver and $10,000 gold.

However, the data behind these dramatic predictions doesn’t support the story. For example, the World Gold Council reported in Q2 2025, “Total gold demand stood at 1,249t, up 7% year-on-year,” while mine production rose modestly. Silver also

saw stronger industrial and investment demand, such as in EVs and solar panels, but according to the Parkview Group, “demand in green energy applications, not retail hoarding, has remained the main price driver.” The critical point here is that these moves are significant; they are not unprecedented. Instead, they are a function of demand and supply in the commodity markets. However, price surges are a different matter.

Pricing for all commodities, and particularly precious metals, is ultimately determined in the futures markets. These markets primarily function through the COMEX and CME. In the long term, physical demand indeed affects prices. However, in the short term, prices are set by futures contracts where buyers and sellers speculate, hedge, or arbitrage for profit. Given that the vast majority of these contracts are cash-settled, meaning they don’t result in physical delivery, the price is set more by the volume and positioning of financial participants than by immediate physical demand or scarcity. This structure allows large institutions, hedge funds, and algorithmic traders to influence price direction through leverage, often independent of underlying physical flows. As a result, even substantial physical shortages or premiums in retail markets may not reflect directly in futures-based spot prices unless accompanied by shifts in futures market positioning.

Of course, two primary factors drive speculators in the precious metals markets. The first is a narrative. When the prices of precious metals increase, it tends to correlate with periods of uncertainty. For example, when the Federal Reserve signals interest rate cuts, real yields decline, or geopolitical tensions rise. While none of these conditions indicate systemic collapse, the narrative brings institutions into the market.

The second is price momentum. As prices increase, the narrative gains traction, and traders begin to chase the price higher, building stronger momentum. That price momentum attracts

more investors to chase the price higher. As demand for futures contracts exceeds supply, prices are driven even higher. It is a virtual spiral that builds until it eventually busts. For example, we have seen such an event occur in silver several times during its history. Each of those spikes eventually led to a sharp reversal as long-term economic supply/demand drivers returned.

Another issue is the actual supply and demand for precious metals. Silver, for instance, plays a crucial role in industrial production, particularly in sectors such as electronics, photovoltaics, and automotive systems. When silver prices rise sharply due to perceived or real shortages, the immediate impact is higher input costs for manufacturers that rely on it. These increased costs often get passed along the supply chain, raising prices for end products and reducing consumer demand. As demand for finished goods declines, the industrial need for silver also drops, easing pressure on the metal's supply chain, leading to an increase in supply over demand. Simultaneously, elevated prices encourage miners to ramp up production or bring marginal projects online, further boosting supply. In other words, "The cure for high prices is high prices."

This process eventually rebalances the market; higher prices choke off demand and attract new supply, creating the conditions for price stabilization or decline. This self-correcting dynamic is familiar in commodity markets and illustrates why sustained shortages rarely lead to permanent price increases.

Lastly, another reason price surges in commodities tend to be temporary is the actual commodity traders themselves. When commodity prices surge sharply, the COMEX or CME will raise margin requirements to protect market integrity and reduce systemic risk. Those "purveyors of perpetual doom" will claim it's "market manipulation," but in reality, it is a function of managing systemic market risk. Margin is the collateral that traders must post to hold positions, and when prices become

volatile, the potential for significant losses increases. Therefore, increasing margin requirements ensures that traders have sufficient capital to cover adverse market movements, thereby reducing the risk of default.

Since the beginning of December, the CME has already increased margin requirements more than once. As shown below, in 2011, it took several margin hikes before the market mean-reverted.

The management of margin requirements protects not only individual counterparties but also the clearinghouses that guarantee trades. Raising margin requirements also helps to cool excessive speculation by making it more expensive to hold leveraged positions, promoting more stable and orderly markets during periods of heightened price movement.[8]

Footnotes And Sources

1. WSJ.com, January 9, 2026
2. Investing.com, January 9, 2026
3. CNBC.com, January 5, 2026
4. CNBC.com, January 6, 2026
5. CNBC.com, January 7, 2026
6. WSJ.com, January 8, 2026
7. CNBC.com, January 9, 2026
8. https://www.advisorperspectives.com/commentaries/2026/01/05/metals-arent-predicting-economic-collapse?hsid=51216008&_hsenc=p2ANqtz--67rofmMMAyqFEE_ihjEGTIXSUCl4k3-uRIQPbvL8CghnLtqNuqIFfclacksMlPMyiOnh7FJ8Pbbu5nYk4YhHGJaNjrQ&_hsmi=397189124

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The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. The Nasdaq Composite is an index of the common stocks and similar securities listed on the Nasdaq stock market and considered a broad indicator of the performance of stocks of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

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