

Primary Market Drivers

Earnings & Economic Data

Last week's earnings were by and large a continuation of the explosive earnings growth we've seen over the past year. Market reactions were mixed throughout a messy, volatile week for equities, but the figures themselves were strong. With 33% of S&P 500 companies reporting, the blended earnings growth rate for Q4 is 11.9%, ahead of the 8.9% expectation and puts earnings on track for a fourth consecutive quarter of double-digit growth. This week is another extremely busy earnings week as we will see 128 S&P 500 companies report (25.6% of the index). Big tech highlights include Palantir (PLTR 2/2), Advanced Micro Devices (AMD 2/3), Super Micro Computer (SMCI 2/3) Alphabet (GOOGL 2/4), Qualcomm (QCOM 2/4), and Amazon.com (AMZN 2/5). Outside of tech, the slate is loaded with Marathon Petroleum (MPC 2/3), Merck (2/3), PepsiCo (PEP 2/3), Pfizer (PFE 2/3), Amgen (AMGN 2/3), Prudential (PRU 2/3), AbbVie (ABBV 2/4), Eli Lilly (LLY 2/4), Phillips 66 (PSX 2/4), Progressive (PGR 2/4), Uber Technologies (UBER 2/4), McKesson (MCK 2/4), T-Mobile (TMUS 2/4), Cardinal Health (CAH 2/5), ConocoPhillips (COP 2/5), Centene (CNC 2/6), and Philip Morris (PM 2/6), among many others. On the economic data front, the labor market is in focus with JOLTS (2/3), ADP Employment (2/4), Challenger Job Cuts (2/5), and Nonfarm Payrolls & Unemployment Rate (2/6), among a few other minor data points. Expect earnings and Nonfarm Payrolls to drive the action this week.

Fed Policy

The Fed held rates steady last week, as expected. The major news, however, was the Trump administration announcing the next pick for Fed chair to be Kevin Warsh. While many expect Warsh to come in and slash rates immediately, it's important to note that he is in favor of quantitative tightening, is an inflation hawk, is pro-crypto, and generally prefers less Fed intervention in markets. If confirmed, Warsh will begin his four-year term in May 2026. We should learn more about his philosophies and get a better idea of what a Warsh-led Fed will look like in the weeks to come. In the meantime, rate cut probabilities look very low at just a 30.8% chance of any cuts while Powell remains at the helm.

Foreign Policy

No change from last week. The Supreme Court has yet to issue a ruling on the reciprocal tariffs case, leaving the market in "wait and see" mode. While most still assume we will see a ruling in early February, it is unclear exactly when we should expect the major decision to be made. Recently, Treasury Secretary Scott Bessent spent some time alleviating fears that the United States government would find itself in a precarious position if the ruling went against them. He has reiterated that the United States will continue to collect tariffs at "roughly the same level, in terms of overall revenues" and that the government could cover any refunds that were to be issued should the tariffs be ruled illegal. Despite those sentiments, expect the market to remain a bit skiddish as we await the final ruling.

All referenced market information, statistics, and economic data were gathered from StreetAccount, a paid subscription data service provided by FactSet Research Systems Inc.

Market Returns 1/30/2026

Category	Ticker	YTD%
Domestic Equity		
S&P 500	SPY	1.47%
Dow Jones	DIA	1.80%
Large-Cap Growth	QQQ	1.23%
Large-Cap Value	IVE	2.44%
Mid Caps	MDY	4.03%
Small Caps	IWM	5.48%
International Equity		
Developed Intl	EFA	4.90%
Emerging Markets	EEM	8.02%
Fixed Income		
Core Bonds	AGG	0.25%
Corporate Bonds	LQD	0.34%
High Yield Bonds	HYG	0.61%
ST Treasuries	IEI	0.00%
LT Treasuries	TLT	-0.03%
International Bonds	BNDX	0.52%



Performance data and stock chart were gathered from eSignal, a paid market screening application provided by Intercontinental Exchange, Inc.

Current Environment Summary

What's Working	What's Not	What's Next
Inflation Subdued	Stubborn Elevated Interest Rates	128 S&P 500 Companies Report Earnings
Historically Strong Earnings Growth	Uncertain Labor Market	Tech Earnings: PLTR, AMD, GOOGL, AMZN
AI & Tech Revolution Bull Market	Lingering Volatility in Growth Assets	Others: PEP, PFE, LLY, UBER, TMUS, COP
Trade & Global Investment Deals	Tariff Uncertainty	Nonfarm Payrolls & Unemployment (2/6)
Fed Easing Cycle	Cryptocurrency Slump	Extreme Volatility in Silver & Gold
Mid- & Small-Caps Rallying		Still Waiting on SCOTUS Tariff Ruling

Portfolio Manager Commentary

Ken Hartley, CFA

If you live long enough, you get to see everything. The time-tested bromide was on full display last month. Parabolic moves had their legs chopped out; earnings beats were met with disdain and discounting of current prices. Even crypto began to look like an inhabitant of the island of misfit toys. Were there no “bigger fools” left to make the “meme” and meme-like stocks go higher? Oh yeah, the Seahawks and Patriots will meet (again) in Super Bowl XL. Here’s a tip: run the ball on second and goal at the 2-yard line.

The market is a mechanism to discount future earnings. However, there are periods when the combatants decide that it’s time to test the current investment mantra’s and see if it has any legs. After all, retail investors have been the surprising force behind the rally of the last 18 months. The professionals are upset that they have tried to beat the retail investors down, to no avail. I mean, how do you justify 2% and 20 when you can’t beat your benchmark? Has anyone checked real estate prices in Connecticut?

The coming week will offer a chance to get a better focus on some of the important issues in the market. It’s hard to overlook the “partial” shutdown of the US Government this weekend, after the sordid lockdown last fall. It looks like the “protests” currently taking place in MN are having an impact on the elected representatives in DC. I thought the jellyfish was the only organism without a skeleton (aka spine). We’ll get a better look at where the economy is based on some of the economic figures coming from the “post shutdown” economy. Think: employment, consumer confidence.

Don’t look to the EU for any help. Both EU and UK central banks meet this week and there is little indication of a rate cut. In addition, the Australian central bank may even raise rates by 25 basis points. The “US dollar demise” trade may be about to run its course. If the economy looks to be on solid footing, J Powell will have little reason to cut rates on his way out as Chairman in May. President Trump has indicated he will nominate Kevin Warsh as Powell’s replacement. I hope Mr. Warsh brings his helmet and protective gear. Warsh has shown himself to be serious thinker and a person who is less inclined to be bullied. Fingers crossed.

The Supreme Court of the US (SCOTUS) is doing its best to delay some important rulings: Tariffs, can POTUS fire Fed Governors? The quicker the market gets some of this behind it, the focus can be on the important stuff: EARNINGS. After three years of double digit returns in the S&P, does a single digit return really cause that much heartburn?

I am currently ensconced at an ocean side retreat in our 50th state. I am doing the best I can to stay current, but I must admit, things might get missed. Stay focused Don, we need you.

Don Moenning

Earnings have been strong thus far. With 33% of the S&P 500 reporting, we sit at a blended earnings growth rate of +11.9% (vs expectations for +8.9%), which would be the fourth consecutive quarter of double digit earnings growth if it holds. The reactions, on the other hand, are a different story.

Microsoft got slammed despite another rock solid report featuring strong beats, raised guidances, and 39% Azure Cloud growth. The chatter surrounding the drop was the now seemingly age old, go-to “their capex was too high” from Wall St. Recall that traders have been dumping shares of META for three months straight due to similar capex concerns. Well, META announced earnings last week too and actually blew their previous capex guidance out of the water (\$115B - \$130B vs expectations for \$110B and MSFT’s \$37.5B). But the stock RALLIED 10%. Huh? Tesla put out their strongest report in the last couple of years and went down anyways. Then AAPL announces a lukewarm-to-good set of figures with no real vision and rallies. The reactions are just downright confusing at this point and seeking consistent logic is tough. I’m not buying the sensationalist reactions on either side of the aisle. Bottom line - these were great figures across the board, earnings expansion is going to hit double digits for the fourth quarter in a row, and AI-related demand remains overwhelming across the stack. The traders have made it clear that volatility and drama are the name of the game the past few months, though I continue to believe earnings will remain the primary market driver once the day-to-day price hysteria has settled.

Moving on (or rather, speaking of drama), Silver and Gold experienced their worst single session declines since 1980 on Friday. SLV got wiped out to the tune of -28.54% (not a typo) while GLD fared slightly better at -10.27%. While the narrative is that Kevin Warsh’s nomination is bad for metals, the reality is simply these moves were parabolic and not grounded in anything fundamental. The important thing is what happens next. With Wall St traders wiping out spec tech, nuclear, crypto, quantum, anything AI related, and now metals over the past few months, there isn’t an explosive bullish trend intact as we enter the second month of the year. 5%+ GDP growth and record earnings should be an easy backdrop for the bulls, but the market has been far too noisy and full of fear the past few months.

This week we get another critical round of earnings. I’ll be watching PLTR, AMD, GOOGL, and AMZN very closely as each one represents a very important cog in future tech. The slate is chalk full of big oil (MPC, COP, PSX), health care (PFE, AMGN, ABBV, LLY), and tech adjacent (PYPL, UBER, T-MUS) announcements, so expect a lot of movement this week.

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