

February 2, 2026

January Market Recap

The month's market headlines were dominated by a surge in gold prices, a weaker US dollar and stock markets that largely shrugged off ongoing geopolitical tensions. Despite pockets of volatility, the Dow Jones Industrial Average is now approaching the 50,000 mark and all major US equity indices finished January higher, with the S&P 500 up 1.4%, the Nasdaq up 1.0% and the Dow up 1.7%.

"Markets have largely looked past the geopolitical noise, with international equities outperforming the US in January and US markets continuing to set new highs," Raymond James Chief Investment Officer Larry Adam said.

The US economy continued to show resilience, even as uncertainty around tariffs and trade policy weighed on global sentiment. As expected, the Federal Reserve (Fed) kept interest rates unchanged at its January 28 meeting, opting to wait for clearer signs that inflation is steadily moving lower.

The US dollar weakened, touching a four-year low, as investor sentiment turned more cautious, though interest-rate differentials still technically favor the dollar.

We'll dive into more details below, but first let's see how the year started off.

	12/31/25 Close	1/30/26 Close*	Change Year to Date	% Gain/Loss Year to Date
DJIA	48,063.29	48,892.47	829.18	+1.73
NASDAQ	23,241.99	23,461.82	219.83	+0.95
S&P 500	6,845.50	6,939.03	93.53	+1.37
MSCI EAFE	2,892.71	3,042.84	+150.13	+5.19
Russell 2000	2,481.91	2,613.74	+131.83	+5.31
Bloomberg Aggregate Bond	2,348.85	2,351.36	2.51	+0.11

*Performance reflects index values as of market close on January 30, 2026.

Market leadership broadens

Stock performance last month was driven by several key shifts: Investors moved money out of mega-cap technology stocks, companies benefited from the expensing provisions in the One Big Beautiful Bill Act and broader economic conditions continued to improve. Small-cap stocks stood out in particular, with the Russell 2000 gaining 5.5% for the month. Sector-wise, energy, materials and consumer staples led the market while technology, financials and health care lagged.

Longer-term yields rise

As expected, policymakers left interest rates unchanged at their first meeting of 2026, balancing mixed signals in the labor market against still-sticky inflation. Stronger economic data late last year, including 4.4% GDP growth in the third quarter, reinforced the Fed's cautious stance as they look for more convincing evidence that inflation is on a sustainable path downward.

In the Treasury market, longer-term yields rose more than short-term yields, causing the yield curve to steepen. A similar dynamic played out in the municipal bond market: yields on long-dated bonds edged higher while shorter maturities actually saw yields fall, improving relative value across different parts of the curve. Corporate bonds also benefited from a supportive backdrop despite credit spreads narrowing to their lowest levels in about a year for both high-quality and high-yield issuers.

US economy cool but resilient

Job growth remained positive but subdued, with private employers adding a modest number of positions and most of the gains coming from small businesses. Job openings continued to drift lower and remain near post-pandemic lows, a sign of softening labor demand, and a low quits rate suggests workers are cautious about changing jobs.

Inflation held steady, yet sentiment surveys showed that Americans are still feeling strained by prices and job market concerns. Retail spending was higher than expected in November, though earlier revisions clouded the picture and suggest possible volatility in the months ahead. With leading indicators slipping again, the overall backdrop suggests an economy that remains resilient but is losing some momentum.

Geopolitics and policy moves drive January headlines

With the raid on Caracas and capture of Venezuelan President Nicolas Maduro, the suggestion that the US should control Greenland and simmering tensions with Iran following recent protests, January was marked by geopolitical risk. Domestically, the Trump administration launched an investigation into Fed Chair Jerome Powell, increasing uncertainty, though markets have seemed more focused on President Trump's next pick to lead the central bank, Kevin Warsh. While these actions have the potential to affect individual sectors, markets overall have remained largely unfazed.

Has silver jumped the shark?

After surging 140% in 2025, silver is up another 17% year-to-date, even after profit-taking at the end of January. In contrast to gold, nearly two-thirds of global silver supply is used in industrial applications, including solar panels and other electrical hardware. The advantage of silver is its high conductivity, but the last year's price escalation may spur efforts by manufacturers to redesign their products with lower-cost metals like copper. Product redesign and resulting supply chain changes don't happen overnight, but enough companies moving in this direction could reduce silver demand.

A soft start for the dollar

The US dollar began the year on weaker footing, declining against major currencies such as the yen, euro and British pound. A combination of headline-driven geopolitical tension and speculation about potential currency intervention contributed to a drop of more than 2% in the trade-weighted dollar index. Some investors briefly shifted toward a “sell the dollar” stance, but the underlying drivers remain mixed. The US economy continues to show relative stability, while global challenges to US economic leadership have eased compared with a year ago. These dynamics may limit the degree of further dollar weakness, though ongoing questions around US fiscal policy and the outlook for Federal Reserve leadership could temper any near-term rebound.

The bottom line

The year has started off busy, with shifts in market leadership and geopolitical tension in the headlines. Still, the overall environment remains generally supportive. For long-term investors, keeping attention on the bigger picture rather than noise is as important as ever.

Sincerely,

Jeff

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The Dow Jones Industrial Average is an unmanaged index of 30 widely held stocks. The NASDAQ Composite Index is an unmanaged index of all common stocks listed on the NASDAQ National Stock Market. The S&P 500 is an unmanaged index of 500 widely held stocks. The MSCI EAFE (Europe, Australasia and Far East) index is an unmanaged index that is generally considered representative of the international stock market. The Russell 2000 is an unmanaged index of small-cap securities. The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate

taxable bond market. An investment cannot be made in these indexes. The performance mentioned does not include fees and charges, which would reduce an investor's returns.

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Investing in commodities is generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising. International investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility. The Consumer Price Index is a measure of inflation compiled by the US Bureau of Labor Studies. The Leading Economic Index (LEI) provides an early indication of significant turning points in the business cycle and where the economy is heading in the near term. GDP (Gross Domestic Product) is the annual total market value of all final goods and services produced domestically by the US.

Investing in small-cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor. The prices of small company stocks may be subject to more volatility than those of large company stocks. The ISM Services Index is an economic index based on surveys of more than 400 non-manufacturing (or services) firms' purchasing and supply executives. The ISM Manufacturing Index, also known as the purchasing managers' index (PMI), is a monthly indicator of US economic activity based on a survey of purchasing managers at more than 300 manufacturing firms. Material created by Raymond James for use by its advisors.