



## Summary

Markets were volatile last week as Friday's cautious optimism recovered much of the losses from the midweek AI-related selloff. Treasury yields drifted lower across most maturities, reflecting weak alternative labor market data amid uncertainty regarding another delayed employment report. Due to the delayed employment situation report, investors relied on the ADP employment report, which represents private payroll changes; ADP measured an increase of only 22,000 jobs in January, half of the expected increase, suggesting slow hiring in early 2026. The Challenger layoff report also

indicated a weakening labor market with January layoffs surging to 108,435, the highest January reading since 2009. The December JOLTS report showed job openings fell to 6.54 million, supporting previous reports of a continued low-hiring environment, and indicating that the delayed employment data, which will include annual benchmark revisions, will be vital to understanding the current labor market situation. The ISM manufacturing index for January entered expansionary territory after almost a year of contraction; the ISM services index held steady at 53.8% in the same month.

Consumer credit rose \$24.0 billion in December, exceeding expectations, driven by a pickup in both revolving and nonrevolving credit. The preliminary University of Michigan consumer sentiment index rose to 57.3 in February, up from a final reading of 56.4 in January, well above expectations, indicating a modest improvement in overall consumer attitudes early in the month. The gain was driven primarily by perceptions of current conditions, with the current economic conditions index increasing to 58.3, while consumer expectations of future growth edged down slightly to 56.6 from 57.0.

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
S&P Global U.S. Manufacturing PMI - Final (Jan – Mon 09:45)	52.4	NA	
ISM Manufacturing Index (Jan – Mon 10:00)	52.6%	48.3%	
MBA Mortgage Applications Index (01/31 – Wed 07:00)	-8.9%	NA	
ADP Employment Change (Jan – Wed 08:15)	22K	43K	
S&P Global U.S. Services PMI - Final (Jan – Wed 09:45)	52.7	NA	
ISM Non-Manufacturing Index (Jan – Wed 10:00)	53.8%	53.7%	
Initial Claims (01/31 – Thu 08:30)	231K	210K	
Continuing Claims (01/24 – Thu 08:30)	1844K	NA	
JOLTS - Job Openings (Dec – Tue 10:00)	6.542M	NA	
U. of Michigan Consumer Sentiment - Prelim (Feb – Fri 10:00)	57.3	54.3	
Consumer Credit (Dec – Fri 15:00)	\$24.0B	\$8.4B	
Next Week: Indicator	Consensus Expectation*	Prior	Comment
Retail Sales (Dec – Tue 08:30)	+0.4%	+0.6%	Retail Sales ex-auto (prior): +0.5%
Employment Cost Index (Q4 – Tue 08:30)	+0.8%	+0.8%	
Import Prices (Dec – Tue 08:30)	NA	NA	Import prices ex-oil (prior): NA
Export Prices (Dec – Tue 08:30)	NA	NA	Export prices ex-ag (prior): NA
Business Inventories (Nov – Tue 10:00)	+0.2%	+0.3%	
Factory Orders (Nov – Tue 10:00)	+0.5%	-1.3%	
Nonfarm Payrolls (Jan – Wed 08:30)	68K	50K	
Nonfarm Private Payrolls (Jan – Wed 08:30)	60K	37K	
Unemployment Rate (Jan – Wed 08:30)	4.4%	4.4%	
Average Hourly Earnings (Jan – Wed 08:30)	+0.3%	+0.3%	
Average Workweek (Jan – Wed 08:30)	34.2	34.2	
Treasury Budget (Jan – Wed 14:00)	-\$190.0B	-\$144.7B	
Initial Claims (02/07 – Thu 08:30)	230K	231K	
Continuing Claims (01/31 – Thu 08:30)	NA	1844K	
Existing Home Sales (Jan – Thu 10:00)	4.21M	4.35M	
Core CPI (Jan – Fri 08:30)	+0.3%	+0.2%	
CPI (Jan – Fri 08:30)	+0.3%	+0.3%	

\*Sources: [www.briefing.com](http://www.briefing.com) and [www.federalreserve.gov](http://www.federalreserve.gov)



# Economic Review

The ISM MANUFACTURING INDEX shifted back into expansionary activity in January, checking in at 52.6, compared to 47.9 in December. The move above the 50.0 threshold marked the first expansionary reading since February 2025, ending an eleven-month stretch of contraction and signaling a meaningful improvement in the manufacturing sector. The new orders index surged to 57.1 from 47.4, its highest level since February 2022, while the production index climbed to 55.9 from 50.7. The backlog of orders index increased to 51.6 from 45.8, and new export orders edged into expansionary activity at 50.2 from 46.8 in December. The only index currently in contractionary territory is the employment index, which rose to 48.1 from 44.8 in December, signaling a reduced pace of job losses rather than outright hiring. The price index edged up to 59.0%, indicating modest but persistent input cost pressures even as activity accelerates.

CONSUMER CREDIT accelerated in December, rising \$24.0 billion, well above the expected \$8.4 billion and following an upwardly revised \$4.7 billion increase in November. Overall, consumer credit expanded at an annual rate of 5.7% in December. The gain marked the largest monthly expansion since March 2025 and

reflected a broad-based pickup across both revolving and nonrevolving categories. Revolving credit increased \$13.9 billion to \$1.329 trillion, reversing November's decline and rising at a 12.6% seasonally adjusted annual rate, suggesting a notable increase in short-term borrowing activity, including credit card usage. Nonrevolving credit rose \$10.2 billion to \$3.781 trillion, advancing at a 3.2% annual rate, reflecting continued steady demand for longer-term financing tied to autos, education, and other installment-based borrowing.

JOB OPENINGS continued to decline in December, reinforcing the picture of a gradually cooling labor market rather than an abrupt deterioration. Open positions declined by 386,000 to 6.5 million, marking a 966,000 decline from a year earlier, while the job openings rate held steady at 3.9%. Hires were unchanged at 5.3 million (hire rate 3.3%) and total separations held at 5.3 million, leaving the separations rate unchanged at 3.3%. Within separations, quits were steady at 3.2 million (quit rate 2.0%), suggesting workers' confidence in voluntarily changing jobs has stabilized after trending lower since 2022.

ISM Manufacturing Index



Consumer Credit Monthly Change (\$blns)



Job Openings and Hires (in thousands)





## Fed Speeches

Speaking at the Economic Club of Miami shortly after the FOMC's first meeting of the year, Governor Lisa Cook described an economy that remains resilient on the surface but increasingly uneven beneath it. While growth in the second half of 2025 came in stronger than expected and the labor market appears to have stabilized, Cook emphasized that inflation has stalled above target and strains are building for low- and moderate-income households.

Cook attributed the persistence of inflation largely to developments in goods prices rather than services. She noted that services inflation has continued to cool, but that higher tariffs pushed core goods inflation back up last year, effectively halting progress toward the Fed's 2% goal.

On the labor market, Cook characterized conditions as roughly in balance after a period of softening.

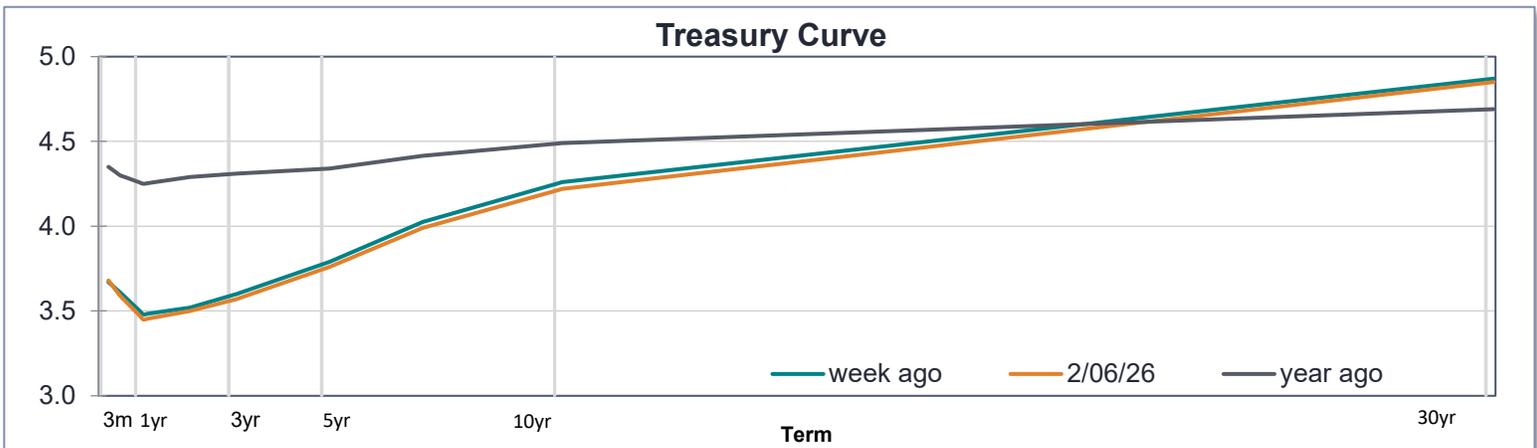
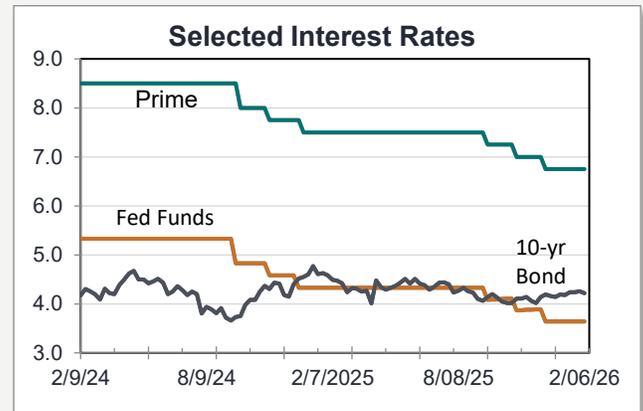
Unemployment has stabilized at 4.4%, layoffs remain low, and job openings still roughly match the number of unemployed workers. However, she cautioned that weak payroll growth and rising involuntary part-time work point to diminished labor market dynamism. She warns,

*"The lack of dynamism in the labor market likely makes it susceptible to downside shocks."*

Against this backdrop, Cook explained her support for holding the policy rate steady at the January meeting. While she sees reasons for optimism that inflation will resume its downward path as tariff effects fade, she views risks as tilted toward higher inflation for now. Balancing these risks, Cook emphasized that maintaining credibility on inflation remains paramount, particularly after an extended period of above-target price growth.

## Financial Markets

Equity markets were mixed last week as a midweek selloff of software stocks in response to AI developments added to volatility related to weak private jobs data. The DJIA rose a strong 2.5%, reaching new highs, while the S&P 500 slipped marginally by 0.1% and the NASDAQ declined 1.8%. Treasury yields declined modestly across most of the curve, with the largest moves concentrated in the intermediate and long maturities. The one-, two-, and five-year yields fell between 2 and 3 basis points (bps), while the ten- and thirty-year yields declined 4 and 2 bps, respectively, reinforcing the view that investors expect a gradual easing in monetary policy and slower growth ahead rather than renewed inflation pressure. Commodities markets stabilized with gold recovering 1.4% and silver relatively unchanged after large swings in the second half of January. Oil prices also fell last week as U.S.-Iran talks alleviated fears of increased geopolitical tensions in the Middle East.





## Interest Rate Forecast\*

During the Fed's January policy meeting, the Federal Open Market Committee (FOMC) maintained the federal funds target rate at 3.50% to 3.75%. In the statement released following the meeting, the FOMC stated, "In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 3-1/2 to 3-3/4 percent. In considering the extent and timing of

additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data,

the evolving outlook, and the balance of risks. The Committee is strongly committed to supporting maximum

employment and returning inflation to its 2 percent objective."

Avg. for:	Prime	Fed Funds	SOFR	6-Mo. T-Bill	2-Yr. Note	10-Yr. Treasury	30-Yr Bond	30-Yr Mortgage
1 <sup>st</sup> Qtr '26	6.75	3.63	3.66	3.60	3.53	4.14	4.82	6.10
2 <sup>nd</sup> Qtr	6.58	3.46	3.49	3.49	3.48	3.97	4.63	5.98
3 <sup>rd</sup> Qtr	6.50	3.38	3.40	3.44	3.48	3.90	4.45	5.93
4 <sup>th</sup> Qtr	6.25	3.13	3.15	3.22	3.31	3.79	4.27	5.79
1 <sup>st</sup> Qtr '27	6.08	2.96	2.98	3.06	3.19	3.72	4.20	5.70

February 2026

## FINANCIAL MARKET SUMMARY

	As of 02/06/26	As of 01/30/26	Weekly Change	4-Week Change	13-Week Change
<b>MONEY MARKETS (Changes in BPs)</b>					
Prime	6.75	6.75	0	0	(25)
Secured Overnight Financing Rate (SOFR)	3.65	3.65	0	1	(27)
Fed Funds (Wed close)	3.64	3.64	0	0	(23)
<b>TREASURIES (BE) (Changes in BPs)</b>					
3 Months	3.68	3.67	1	6	(33)
6 Months	3.59	3.61	(2)	2	(17)
1 Year	3.45	3.48	(3)	(7)	(18)
2 Years	3.50	3.52	(2)	(4)	(5)
5 Years	3.76	3.79	(3)	1	9
10 Years	4.22	4.26	(4)	4	11
30 Years	4.85	4.87	(2)	3	15
<b>MUNICIPALS- AAA G.O. &amp; Mortgage (Changes in BPs)</b>					
2-Year Muni	2.12	2.22	(10)	(18)	(37)
5-Year Muni	2.18	2.24	(6)	(9)	(22)
10-Year Muni	2.59	2.62	(3)	32	(14)
30-Year Muni	4.20	4.21	(1)	6	9
30-Year Conventional Mortgage	6.11	6.10	1	(5)	(11)
<b>MARKET INDICATORS (Changes in %)</b>					
DJIA	50,115.67	48,892.47	2.5	1.2	6.7
S&P 500	6,932.30	6,939.03	(0.1)	(0.5)	3.0
NASDAQ	23,031.21	23,461.82	(1.8)	(2.7)	0.1
CRB Futures	389.40	402.43	(3.2)	3.0	3.8
Oil (WTI Crude)	63.55	65.21	(2.5)	10.9	4.4
Gold	4,964.36	4,894.23	1.4	10.1	24.1
Yen / Dollar	157.22	154.78	1.6	0.2	2.0
Dollar / Euro	1.18	1.19	(0.3)	1.5	2.2



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