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The Markets

Geopolitics roiled financial markets.

Just a couple of weeks ago, many analysts and asset managers expressed broad optimism about the potential performance of United States stock markets in 2026 – and the stock market started the year strong. “The S&P 500 closed at new records three times in the first seven trading days of 2026, and isn’t far from its all-time high,” reported Teresa Rivas of Barron’s in mid-January.

U.S. stocks moved lower last week

Early last week, markets focused sharply on the elephant in the room – geopolitics. Lynn Thomasson and Sabrina Nelson Garcinuno of Bloomberg reported:

“For weeks on Wall Street, markets were unusually subdued as President Donald Trump threatened the post-war order by asserting US dominance of the Western hemisphere. But with his drive to take over Greenland throwing the European and American alliance in disarray...the calm abruptly snapped. As stock markets opened on Tuesday, the ‘Sell America’ trade came back in full force...The S&P 500 dropped over 2 [percent], erasing all of this year’s gains.”

U.S. Treasury yields moved higher

The U.S. Treasury market swooned, too. The yield on 30-year U.S. Treasury bonds rose from 4.79 percent at the end of the previous week to 4.91 percent on Tuesday.

The U.S. wasn’t the only country to see yields move higher. Global bond yields rose after the Japanese Prime Minister proposed to cut taxes on food, which bond markets feared could lead to higher inflation. Phil Serafino of Bloomberg explained:

“...higher yields act as a powerful magnet, pulling Japanese savers’ money out of markets around the globe and drawing it back home. That means less demand for sovereign bonds such as [U.S.] Treasuries,” wrote Serafino. “Another factor: governments and companies are flooding the market with new bonds as they ramp up spending on defense, data centers, and just about everything else,” explained Serafino.

The law of supply and demand holds that a rising supply of bonds in combination with falling demand is likely to lead to lower bond prices and higher interest rates, reported Jason Fernando of Investopedia.

By the end of the week, U.S. stock and bond markets had calmed. “The S&P 500 danced around the breakeven line Friday afternoon while the Dow Jones Industrial Average was down...and the Nasdaq Composite was up,” reported Karishma Vanjani of Barron’s. The yield on the 30-year U.S. Treasury bond finished the week at 4.82 percent.

Data as of 1/23/26	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-0.4%	1.0%	13.0%	19.8%	12.4%	13.9%
Dow Jones Global ex-U.S. Index	0.6	4.6	31.4	13.1	5.2	7.2
10-year Treasury Note (yield only)	4.2	N/A	4.6	3.5	1.0	2.0
S&P GSCI Gold Index	8.4	15.6	79.7	37.1	22.0	16.3
Bloomberg Commodity Index	5.3	9.0	15.6	2.1	8.4	4.9

S&P 500, Dow Jones Global ex-US, S&P GSCI Gold Index, Bloomberg Commodity Index returns exclude reinvested dividends. The three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods. Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

WHAT COULD HIGHER TREASURY RATES MEAN FOR THE UNITED STATES? The U.S. government spends a lot of money. Some of that spending is covered by with taxes, tariffs, and other sources of revenue. When that's not enough, the government borrows the money it needs to operate.

The U.S. borrows money by issuing U.S. Treasury bills, notes, and bonds. When a person, company, or country buys a U.S. Treasury, they are lending the government money. In return, the United States agrees to pay interest for a specific period of time and then return the amount borrowed.

The interest the United States pays on Treasuries is a lot like the interest people pay on outstanding credit card balances. The higher the debt, the more interest is owed.

U.S. interest costs are growing

Officially, the U.S. government's spending year begins in October, which can be confusing. The period from October through December 2025 is known as the first quarter of Fiscal Year 2026 (FY26).

Over that period, Fiscal Data reported the federal government:

- Spent \$1.83 trillion,
- Collected \$1.22 trillion, and
- Ran short by about \$602 billion.

In FY26, the government spent more on interest on the national debt (+13 percent), and Social Security and Medicare (+9 percent). It spent less on the Environmental Protection Agency (-81 percent), Department of Homeland Security/FEMA disaster relief (-38 percent), Department of Education (-26 percent), and Department of Agriculture (-18 percent).

For context, in FY 2025 (the period from October 1, 2024, to September 30, 2025), the U.S. government:

- Spent \$7.01 trillion,
- Collected \$5.23 trillion, and
- Ran short by \$1.78 trillion.

Higher interest costs mean less money for other priorities

As interest costs rise, they tend to “crowd out opportunities for investment in other important priorities. In fact, the [United States] government is already spending more on interest costs than on education, research and development, and infrastructure combined. If unaddressed, the growing borrowing costs will pose significant challenges for the nation's fiscal future,” reported the Peter G. Peterson Foundation.

WEEKLY FOCUS – THINK ABOUT IT

“Trust yourself. Create the kind of self that you will be happy to live with all your life. Make the most of yourself by fanning the tiny, inner sparks of possibility into flames of achievement.”

— *Golda Meir, Former Israeli Prime Minister*

Best regards,



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- Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
- Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
- The Standard & Poor’s 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
- All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client’s portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.
- The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- The Dow Jones Industrial Average (DJIA), commonly known as “The Dow,” is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
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