Weekly Market Report For 12 – 16 January 2026

Overview

- U.S. stocks trade in a narrow range as small caps and value shares outperform large caps and growth stocks.
- U.S. financial stocks pressured by credit card rate cap news.
- TSMC posts strong profit growth and delivers upbeat guidance, boosting AI related stocks.
- Risks intensify amid U.S. tariff threats and Fed Chair probe.
- U.S. inflation shows signs of easing as core CPI declines, while PPI rise on higher energy costs.
- Europe shows signs of recovery as German and UK economies continue to improve.
- Japanese stocks surge on "Takaichi trade", yen weakens and bond yields rise.
- Chinese stocks remain volatile amid tighter margin trading rules despite strong trade data. GDP growth slowed.

Market Brief

- **U.S. stocks traded in a tight range last week as earnings season began,** with the Dow slipping 0.3%, the S&P 500 down 0.4%, and the Nasdaq falling 0.7%.

- **Small cap and value stocks continued to outperform large cap and growth shares last week,** with the Russell 2000 climbing 2% WoW to a new intraday record.

- Real estate, consumer staples, and industrials led S&P 500 sector gains with increases of over 3%, while financials fell 2.3% WoW amid concerns over Trump's proposed one year cap on credit card interest rates.

- **Major U.S. banks began reporting earnings last week,** with overall results remaining solid. Shares of Morgan Stanley and Goldman Sachs rose on better-than-expected profits, while JP Morgan and Citigroup declined as their earnings slowed.

- **TSMC reported a more than 35% YoY surge in Q4 profit to a new record** late last week, accompanied by upbeat guidance that includes 30% expected revenue growth this year and a record capex plan of about USD 56 billion, lifting sentiment in AI related stocks.

- **However, markets continued to face political and geopolitical uncertainty** after Donald Trump said he would impose a 25% import tariff on goods from countries maintaining trade relations with Iran.

- **The U.S. Justice Department is investigating Fed Chair Jerome Powell** over the renovation of the central bank's headquarters, a probe he says is politically motivated due to policy disagreements, renewing market concerns over the Federal Reserve's independence.

- **Donald Trump threatened to impose import tariffs on eight European countries** if they refuse to sell Greenland to the U.S., starting with a 10% rate on Feb 1 and rising to 25% on Jun 1. The move prompted signals of retaliation from Europe, while the U.S. Senate opposed the plan over concerns about its impact on living costs and domestic businesses.

- **U.S. inflation showed signs of cooling** as core CPI eased, while producer prices rose 0.2% MoM and 3.0% YoY in November due to higher energy costs, amid data limitations from the government shutdown.

- **Europe showed signs of economic recovery** as Germany's GDP grew 0.2% in 2025—its first expansion in three years—while the UK economy rose 0.3% MoM in November, supported by the services and manufacturing sectors. Eurozone industrial production increased for a third consecutive month, and investor sentiment climbed to its highest level since July 2025.

- **Japanese equities surged** last week, with the Nikkei 225 and TOPIX gaining 3.8% and 4.1% on momentum from the "Takaichi Trade" following reports of a possible parliament dissolution. The yen weakened sharply before recovering near 158 per dollar, while Japan's 10 year government bond yield climbed to 2.18%, reflecting rising fiscal concerns.

- **Mainland Chinese equities slipped** as tighter margin trading rules pressured the CSI 300 (0.6%) and Shanghai Composite (0.5%), while the Hang Seng rose 2.3% after regulators raised margin requirements to 100% from 80%.

- **China's economy showed mixed signals** as December exports rose 6.6% YoY, the fastest pace in three months, while imports increased 5.7%, pushing the trade surplus to a six month high. However, Q4 GDP growth slowed to 4.5%, reflecting weak domestic demand, though full year expansion still met the 5% target.

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