CIO Office Morning Notes

9 January 2026

On Thursday US stocks closed mixed as technology sold off and investors bid up energy producers, consumer companies, and small caps. The Nasdaq 100 (-0.6%) underperformed, the S&P 500 was little changed, while small caps (+1.1%) reached new all-time highs. Other markets didn't give us much to write home about, with both ex-US equities (-0.5%) and EM shares (-0.7%) in negative territory. It is remarkable that investors rotated out of IT to get into old-economy or more cyclical names. NVIDIA (-2.1) sold off and Apple (-0.5%) closed at a three-month low, while energy shares (+3.2%) topped returns with big caps like Apache (+8.5%) and Halliburton (5.9%) leading. Earnings growth for smaller companies should be poised to outpace that for large caps after years of underwhelming fundamentals. The Russell 2000 beat the Nasdaq 100 by around 4 percentage points in the first five session of the year. This would be in keeping with signs of strength recently shown by the US economy. No rotation into cyclical pockets of the market is sustainable without strong economic activity. GDP for Q3 reported late last year printed 4.3%, on Wednesday the ISM manufacturing, above 54, surpassed all expectations, and yesterday labor productivity for Q3 rose at the strongest pace in two years, that would help keep price pressures at bay. And the tapping of Venezuelan resources represents an energy advantage in the longer term that cannot be underestimated. It looks like the labor market is about to crack, but with net negative immigration the breakeven payrolls number can even be close to zero without a recession occurring. Yesterday, an advance in global bonds stalled. US Treasury yields remained higher by 2bps across the curve, although bond losses were trimmed after President Trump called for the purchase of $200bn of mortgage bonds for the capping of housing costs. Also, the dollar rallied at least 0.2%, and unexpectedly for the second week back-to-back. And the higher dollar and higher yields could be linked by the largest reduction in the trade deficit since 2009 on the back of tariffs that was reported yesterday. A smaller trade gap due to lower imports implies a lower dollar supply to the rest of the world hence less dollars to be recycled in US assets, primarily Treasuries. If smaller trade deficits persist, the Fed will have to intervene drastically to suppress yields, also restoring dollar weakness in the process. Commodities were mixed for the day, with gold +0.5%, copper -1%, and Brent crude +3.4%.

Markets this morning:

Asian shares fluctuated ahead of today's payrolls report in the United States and a possible Supreme Court ruling on Trump's tariffs. Alibaba rose almost 5% in Hong Kong after China's plan to approve imports of Nvidia's H200. Shares in China rose after inflation in the nation accelerated at the fastest pace in nearly three years mainly on higher food costs. US futures contracts were little changed. Treasuries held steady across the curve, while the US dollar was set for his best week since November. Brent crude extended gains in the wake of recent developments in Venezuela. Silver and gold edged down.

Upcoming key events/data:

The highlight for today will be the US jobs report, crucial for the future path of monetary policy. The forecast is for 70,000 new positions to be added in December, with the unemployment rate expected to fall to 4.5%. The Supreme Court is also poised to decide the fate of most of Trump's tariffs as soon as Friday. Hundreds of companies have already lined up hoping to recoup their share of the billions of dollars in duties paid so far. Retail sales will be reported in Europe.

Have a good day!

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