

Jan. 19, 2026

Weekly Viewpoint

S&P 500 Finishes Lower on the Week Amid Mixed Earnings and Policy Uncertainty

Performance for Week Ending 1.16.2026

The Dow Jones Industrial Average (Dow) fell 0.3 percent, the Standard & Poor's 500 Index (S&P 500) lost 0.4 percent, and the Nasdaq Composite Index (Nasdaq) dipped 0.7 percent for the week ended January 16. Sector breadth was mixed with 6 of the S&P sector groups closing higher and 5 closing lower. The real estate sector (4.1 percent) was the best performer, while financials (2.3 percent) was the weakest.

Index*	Closing Price 1.16.2026	Percentage Change for Week Ending 1.16.2026	Year-to-Date Percentage Change Through 1.16.2026
Dow	49,359.33	-0.3%	+2.7%
S&P 500	6,940.01	-0.4%	+1.4%
Nasdaq	23,515.39	-0.7%	+1.2%

Market Observations: 1.12.2026–1.16.2026

After posting a fresh all-time high early in the week, the S&P 500 finished the week with modest losses as investors weighed a batch of constructive business sentiment and inflation reports against a mixed start to fourth quarter earnings season and a flurry of geopolitical and policy events. While the S&P 500 finished the week lower, the broader market's performance has started to widen out with the small-cap Russell 2000 closing the week at a new all-time high, while defensive and cyclical sectors found favor with the real estate and consumer staples leading the weekly gain.

Inflation Worries Dominate Fed Speak: Neel Kashkari, President of the Federal Reserve Bank of Minneapolis, voiced optimism about the U.S. economy, forecasting sustained growth and easing inflation. Kashkari acknowledged that while inflation is still "too high," it is moving in the right direction. Chicago Fed President Austan Goolsbee said the central bank's main priority should be to tame inflation, as the labor market shows signs of stabilizing. Goolsbee said businesses across his district are concerned over rising costs and affordability. Kansas City Fed President Jeff Schmid said interest rates should stay at a level

where they continue to put some pressure on the economy so that inflation can cool further. Schmid dissented against the last two cuts in October and December, warning at that time that robust economic growth could boost inflation. Atlanta Fed President Raphael Bostic warned that the "inflation challenge has not been won yet," emphasizing the need for the central bank to maintain a restrictive monetary policy stance.

Beige Book: Economic activity picked up at a "slight to modest pace" in most parts of the U.S. since mid-November, the Federal Reserve said in its Beige Book survey of regional contacts. "This marks an improvement over the last three report cycles where a majority of districts reported little change," the report said. Employment levels were mostly unchanged in eight of the Fed's 12 regional districts. Wages grew at a "moderate" pace, with "multiple contacts reporting that wage growth had returned to 'normal' levels." The Beige Book report includes commentary and anecdotes from business leaders and other contacts in each of the Fed's districts.

Q4 Earnings Season: Through Friday Jan. 16, 31 companies in the S&P 500 have released Q4 results, with 90 percent beating expectations. While it's still early, aggregate earnings for this group are up 17.5 percent from a year ago, solidly ahead of the 8.8 percent projected year-over-year growth rate for the overall quarter. On the sector level, the biggest upside surprises have come from the technology and consumer discretionary sectors, while the strongest growth rates are seen in technology and financials. According to Bloomberg, consensus expectations are for S&P 500 earnings to grow by 12.2% for all of 2025, and by 14.4 percent this year.

Economic Roundup: Applications for unemployment benefits unexpectedly fell last week to the lowest level since November, with initial claims falling by 9,000 to 198,000. The four-week moving average of new applications, a metric that helps smooth out volatility, fell to 205,000 last week, the lowest in two years. Continuing claims, a proxy for the number of people receiving benefits, declined to 1.88 million in the previous week. U.S. retail sales rose in November by the most since July, fueled by a rebound in auto purchases and resilient holiday shopping. The value of retail purchases, not adjusted for inflation, increased 0.6% after a downwardly revised 0.1% drop in October. On the inflation front, the headline consumer price index (CPI) increased by 0.3 percent month-over-month in December as inflationary pressures for recreational and transportation services, food, apparel, and shelter were only partly offset a month-over-month decline for communications and motor vehicles. The month-over-month increase in Core CPI of 0.2 percent was below the consensus expectation that called for a gain of 0.3 percent. On a 12-month basis, Core CPI increased by 2.6 percent, below the consensus forecast of 2.7 percent but consistent with the reading of 2.6 percent a month ago. Meanwhile, existing home sales climbed in December to the fastest pace since 2023, a welcome sign for a housing market that has lacked momentum for several years. Contract closings rose 5.1% to a 4.35 million annualized pace last month, the highest since February 2023, according to figures released by the National Association of Realtors. Borrowing costs have been easing and price growth has slowed, helping to fuel home purchases in all major regions of the US. The median sales price increased 0.4% from a year earlier to \$405,400, the weakest gain in 2 1/2 years.

2026 Outlook: After three consecutive years of double-digit returns, we believe the S&P 500 is well positioned to deliver another year of positive performance. Supporting our view is the favorable macro environment. The U.S. economy is growing, earnings are forecast to grow at a double-digit pace, the Federal Reserve (Fed) is expected to maintain an easing bias, and fiscal policy will be a tail wind during the

first half of the year, reflecting the lagged effect of the passage of the One Big Beautiful Bill Act. History books suggest that bull markets rarely end when the Fed is easing and both the economy and earnings are growing. Typically, bull markets end when the Fed begins raising rates, not cutting, and we just don't see rate hikes any time in the foreseeable future.

The Week Ahead: The key release on the data calendar will be the October and November personal consumption and expenditures (PCE) figures delayed by the government shutdown, due Thursday. Other reports of interest will be the final reading on Q3 GDP, October construction spending, and weekly jobless claims. The corporate earnings calendar will move to the front burner with 31 members of the S&P 500 scheduled to release results including Netflix, Johnson & Johnson, Procter & Gamble, General Electric, and Intel. All eyes will be on the World Economic Forum's annual meeting in Davos on January 19-23, where President Trump is scheduled to give a special address on Wednesday. It will be a quiet week in terms of Fed speak as members will be subject to the traditional blackout period ahead of the upcoming Fed meeting.

Definitions

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally defined as the leaders in their industry. It has been a widely followed indicator of the stock market since Oct. 1, 1928.

Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Nasdaq Composite Index is a broad-based capitalization-weighted index of stocks in all three Nasdaq tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of Feb. 5, 1971.

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