

Weekly Newsletter

January 17th, 2026

MUSINGS

"In the Middle East, nothing is ever forgotten, and very little is ever settled."

T.E. Lawrence (Lawrence of Arabia)

LAST WEEK IN THE MARKETS

Asset	Closing level	Weekly change	YTD change
S&P 500	6,940	-0.38%	1.38%
Nasdaq Composite	23,515.39	-0.66%	1.18%
10Y UST Yield	4.227	1.39%	1.54%
Crude oil	59.51	0.46%	3.66%
Gold	4,595.51	1.92%	6.43%
DXY	99.37	0.24%	0.89%
USD/INR	90.66	0.50%	1.05%
Euro STOXX 50	6,039.83	0.52%	3.91%
India (Nifty)	25,694.35	0.04%	-2.30%
Japan (Nikkei)	53,936.17	3.84%	6.19%
China (CSI 300)	4,731.87	-0.57%	1.97%
Saudi (TASI)	10,818.32	3.29%	4.02%
Abu Dhabi (ADX)	10,123.26	1.14%	1.31%
Dubai (DFM)	6,316.15	1.45%	4.45%

NEWS FROM THE MARKETS

- On January 17th, **President Trump escalated his bid to acquire Greenland by announcing a new wave of tariffs targeting eight European allies** that have opposed the acquisition or deployed symbolic troop presence to the territory. Starting February 1st, Denmark, Norway, Sweden, France, Germany, UK, Netherlands and Finland will face a 10% tariff on all goods exported to the U.S., a rate scheduled to rise to 25% by June 1st. The US administration characterized the move as a necessary measure for national security, though European leaders have condemned the action as a "dangerous downward spiral" for transatlantic relations.

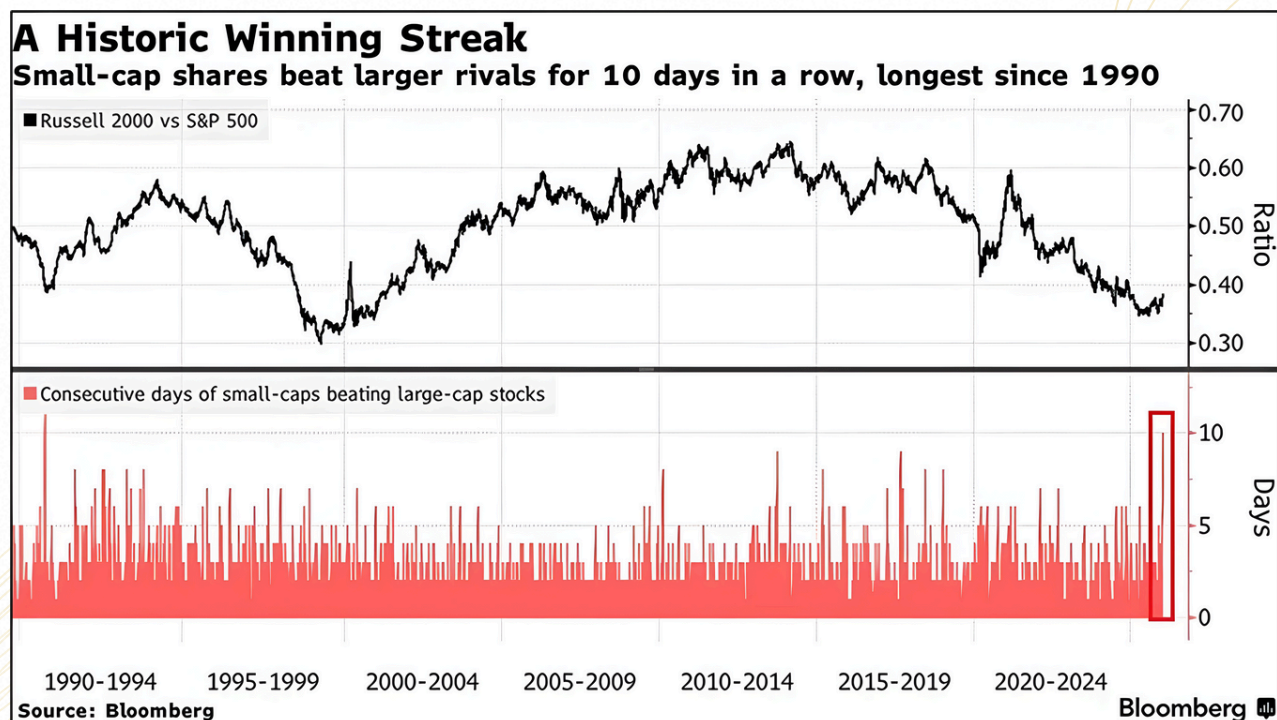
In the wake of the tariff announcement, the German Ministry of Defense confirmed that its (13 person) military reconnaissance unit has already departed Greenland, citing adverse weather conditions as the reason for the early conclusion of its mission.

- Following unrest all over Iran, which began two weeks ago as demonstrations against dire economic conditions and rapidly escalated in recent days into the most violent since the 1979 Islamic Revolution that installed Iran's system of Shi'ite clerical rule, the US administration has made repeated threats to intervene on behalf of anti-government protesters. Last week, the United States withdrew some personnel from bases in the Middle East, after a senior Iranian official said Tehran had warned neighbors it would hit American bases if Washington strikes. Saudi Arabia, Qatar, Oman and Egypt were involved in diplomacy over 48 hours before **U.S. President Donald Trump signaled on Thursday that he had ultimately decided against an attack for now**, saying the killings in Iran were easing. Meanwhile, at least one U.S. aircraft carrier is being moved toward the Middle East. Transit to the region is expected to take at least a week.
- **The Trump administration opened a criminal investigation into Federal Reserve Chairman Jay Powell** over cost overruns for a \$2.5 billion project to renovate two historical buildings at its headquarters complex. Powell, denies wrongdoing, and said the unprecedented actions are a pretext to put pressure on Powell for not satisfying Trump's long-running demands for sharply lower interest rates. Some key members of the Republican party in the Senate, which must confirm his nominee to succeed Powell, have joined foreign economic officials, investors and former U.S. government officials from both political parties in criticizing the move as politicizing sensitive policymaking.
- **Donald Trump expressed reluctance toward nominating Kevin Hassett as Federal Reserve chair**, and said if Hassett were to leave his post as director of the White House National Economic Council, it would deprive the administration of one of its most powerful messengers on the economy. Analysts immediately speculated that this made former Fed Governor Kevin Warsh the front-runner for the job.
- In US stock markets, a rotation is happening from expensive technology stocks to small caps with accelerating earnings growth, a shift that was anticipated as valuations in the mega caps stretched to extremes. That thesis is now playing out in real time as money exits the Magnificent Seven and flows into domestically focused companies that stand to benefit from reshoring, infrastructure spending, and a stronger industrial base.
- The early Q4 2025 U.S. bank earnings season kicked off last week with mixed results across major Wall Street and regional banks. **Goldman Sachs and Morgan Stanley reported double-digit profit growth**, driven by a rebound in investment banking revenues and strong trading results. Goldman posted a 12% rise in net earnings while Morgan Stanley saw profits climb significantly, powered by investment banking and wealth management performance. **BlackRock also delivered strong results, reporting record assets under management above \$14 trillion.** Bank of America delivered generally solid earnings beat with strengthened net interest income, but **Wells Fargo missed expectations** on profit and interest income. Overall, major banks like JPMorgan, Bank of America and Wells Fargo saw stock pullbacks of several percent post-earnings, despite results that in many cases beat expectations. Analysts pointed to lingering concerns over bank valuations, potential regulatory threats (including proposed caps on credit card interest rates), and tightened lending conditions.
- On January 9th, Trump shared a message on Truth Social calling for a credit card interest rate cap at 10% starting January 20th 2026. Implementing such a large-scale cap on all credit card interest rates within such a short window would be incredibly difficult, and there's no immediate legal authority to do so. The most likely path would be through Congress passing legislation, which hasn't happened and is unlikely to be completed by the deadline.
- DraftKings Inc., Flutter Entertainment PLC and other **stocks linked to the sports gambling industry tumbled after new data suggested that they may be losing ground to competing products from prediction market startups** like Kalshi and Polymarket.

KEY ECONOMIC EVENTS COMING THIS WEEK

January 19th	<ul style="list-style-type: none"> • US Market Holiday (Martin Luther King Jr. Day). • China GDP data (Q4). • Euro Area CPI data (Dec).
January 20th	<ul style="list-style-type: none"> • EU ECOFIN Meeting. • Netflix, United Airlines, Interactive Brokers earnings.
January 21st	<ul style="list-style-type: none"> • UK Inflation data (Dec). • Johnson & Johnson earnings.
January 22nd	<ul style="list-style-type: none"> • US Initial Jobless Claims. • US PCE data (Oct, Nov). • US Crude Inventories. • GE Aerospace, P&G, Intel, Abbott earnings.
January 23rd	<ul style="list-style-type: none"> • Japan Inflation data (Dec). • Bank of Japan Interest Rate Decision. • India PMI data (Jan). • UK PMI data (Jan). • US PMI data (Jan). • US Michigan Consumer Sentiment Data (Jan) • Schlumberger earnings.

CHART OF THE WEEK



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