US Market Wrap - 5th January 2026

Crude bid on US capture of Maduro; USD sold and bonds bid on ISM Mfg miss

- **SNAPSHOT**: Equities up, Treasuries up, Crude up, Dollar down, Gold up
- **REAR VIEW**: US captures Venezuelan President Maduro, citing narco-terrorism; Trump floats an operation on Columbia; China and Russia condemn US actions; ISM Mfg unexpectedly declines; Fed's Kashkari thinks they are close to neutral; Fed's Paulson sees some further adjustments to the FFR as likely appropriate later in the year; OPEC+ agreed to keep output unchanged as expected on Sunday; Chinese Services PMI matches expectations.
- **COMING UP**: **Data**: French CPI Prelim (Dec), German CPI Prelim (Dec), US S&P PMI Final (Dec) **Speakers**: ECB's Cipollone; Fed's Barkin **Events**: Fed Discount Rate Minutes **Supply**: Japan, Germany, US.
- **WEEK AHEAD:** Highlights include US and Canada jobs, ISM PMIs, EZ and Chinese Inflation, and potential Fed Chair pick. Click here for the full report.
- **CENTRAL BANK WEEKLY:** Previewing Fed Chair Nominee and SNB Minutes; Reviewing FOMC Minutes. Click here for the full report.
- **WEEKLY US EARNINGS ESTIMATES** Light earnings docket with STZ & JEF the highlights. Click here for the full report.

MARKET WRAP

US indices closed the day in the green, with outperformance in Energy as US oil companies saw strength in the wake of the US's attack on Venezuela, which saw Maduro captured. WTI and Brent also saw gains, and despite being choppy through the European session, it was one-way traffic higher in the US day. Amid the US attack on Venezuela, it has opened up the question if US decides to do an operation in another country, with punchy rhetoric from Trump on Colombia. Following the attack, Chinese, Mexican, Turkish, and Russian officials all condemned the US's actions on Venezuela. Overall, sectors do see upside with Utilities, Health, and Consumer Staples lagging. In FX, the Dollar Index erased gains seen overnight as an unexpected drop in the ISM Manufacturing PMI offset strength in response to the US capture of Maduro. The geopolitical developments kept haven demand in play, originally supporting the Greenback, with Antipodeans, GBP, and JPY all eventually seeing out strong gains, while CAD was the clear underperformer. Back to ISM, although the headline disappointed and prices paid came in above expectations, both sub-indices of new orders and employment rose, albeit remaining notably beneath 50. Treasuries are firmer across the curve, with spot gold and silver seeing notable gains, with the latter up c. 7%. Fed's Kashkari (2026 voter) spoke and remarked that his guess is that they are close to neutral at the moment. Geopolitics dominate the tape to start the week, and likely will for the foreseeable future; meanwhile, the US jobs report is due on Friday.

US

ISM MANUFACTURING PMI: The headline manufacturing PMI slipped to 47.9 from 48.2, below expectations of 48.4 and marking the lowest reading of 2025. Within the report, new orders edged up to 47.7 from 47.4, while the production index fell 0.4 points to 51. The backlog of orders index rose to 45.8 from 44.0 in November. Employment increased to 44.9 from 44.0, while prices paid were unchanged at 58.5, despite forecasts for a decline to 57.0. The report said US manufacturing activity contracted at a faster pace in December, with declines in the production and inventories indices driving the 0.3-point fall in the headline. "Those two subindexes increased in November, so their contraction this month continues the short-term 'bubble' of improvement seen in recent PMI data — and a hallmark of ongoing economic uncertainty in manufacturing." On prices, Pantheon Macroeconomics said the index remains well below the April peak of 69.8. Pantheon also noted that price measures across other major manufacturing surveys point to underlying core inflation easing meaningfully by mid-2026, by which time the one-off boost to consumer prices from tariff pass-through should be largely complete, giving the Fed further scope to resume its easing cycle.

FED'S KASHKARI (2026 voter): Said the job market is clearly cooling, inflation is still too high, and there is a risk that the unemployment rate can pop from here. On the neutral rate, the 2026 voter remarked his guess is that they are close [to neutral] at the moment, something we know has a wide range of views on the Fed. Minneapolis President expects the economy to remain resilient, and speaking on Fed independence, noted he is not concerned about the risk of Fed Bank Presidents being fired, and he does not agree with US Treasury Secretary Bessent that Bank Presidents do not represent their districts well.

FED'S PAULSON (2026 voter) said she sees inflation moderating, the labour market stabilising and growth coming around 2% this year, while she added that if all of that happens, then some further adjustments to the Fed Funds Rate would likely be appropriate later in the year. Paulson said she views the current level of rates as still restrictive and sees a decent chance that they will end the year with inflation that is close to 2% on a run-rate basis, as tariff-related price adjustments will likely be completed. Furthermore, she stated that while the labour market is bending, it is not breaking and that the baseline outlook for the economy is pretty benign.

FIXED INCOME

T-NOTE FUTURES (H6) SETTLED 7 TICKS HIGHER AT 112-13+

T-notes settle firmer after soft ISM in two-way trade. At settlement, 2-year -2.5bps at 3.457%, 3-year -3.1bps at 3.525%, 5-year -4.2bps at 3.71%, 7-year -4.1bps at 3.924%, 10-year -3.1bps at 4.163%, 20-year -3.3bps at 4.793%, 30-year -2.4bps at 4.852%.

THE DAY: T-notes meandered overnight and in the morning but saw some pressure during the start of the US session which coincided with several corporate issuance updates and commentary from Fed's Kashkari. The 2026 voter noted the tensions between the Fed's mandate, highlighting that the job market is clearly cooling and inflation is still too high. He also suggested that his guess is that they are close to neutral at the moment. Meanwhile, c. 20 firms were expected to enter the corporate issuance market today following the Christmas/New Year break. Attention then shifted to the ISM Manufacturing PMI report, which was softer than expected, seeing T-notes move higher. Within the report, the downside to the headline was led by the production and inventories index, while prices paid were unchanged, and employment rose. Attention is largely on labour market data this week and the potential announcement from Trump on who will replace Fed Chair Powell.

Note, over the weekend, the US captured Venezuela's Maduro and arrested him in the US, with the US essentially taking the lead of Venezuela for now. The move initially saw weakness in oil due to the chunky oil reserves Venezuela holds, but this had since pared with crude settling well in the green. Treasury traders will be keeping an eye on the inflationary impact of oil prices.

SUPPLY

- US sold USD 86bln of 3-month bills at a high-rate of 3.540%, B/C 2.84x
- US sold USD 77bln of 6-month bills at a high-rate of 3.475%, B/C 3.28x

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: January 3bps (prev. 3bps), March 12bps (prev. 12bps), April 18bps (prev. 18bps), December 59bps (prev. 56.5bps)**
- NY Fed RRP op demand at USD 6.5bln (prev. 5.7bln) across 17 counterparties (prev. 7)
- EFFR at 3.64% (prev. 3.64%), volumes at USD 92bln (prev. 74bln) on January 2nd.
- SOFR at 3.75% (prev. 3.87%), volumes at USD 3.508tln (prev. 3.458tln) on January 2nd

CRUDE

WTI (G6) SETTLED USD 1.00 HIGHER AT 58.32/BBL; BRENT (H6) SETTLED USD 1.01 HIGHER AT 61.76/BBL

The crude complex was firmer, edging higher throughout the US Day after the US attack on Venezuela and Maduro's capture over the weekend. Prior to the US joining, WTI and Brent were choppy through the European session, and saw lows of USD 56.31/bbl and 59.75, respectively, which swiftly reversed as US players entered for the week to hit peaks of USD 58.51/bbl and 61.89. As expected, the US's capture of Venezuela's Maduro over the weekend took the headlines and added further geopolitical doubt into the equation - US officials have repeatedly said it is not an attack on Venezuela or its people. Following the US operation, Chinese, Mexican, Turkish, and Russian officials all condemned the US's actions on Venezuela. Elsewhere, it has opened up rhetoric that it could happen again with other nations, and only heightened after President Trump remarked, "it sounds good to him regarding whether there will be an operation on Colombia; Colombia is very sick as the country is being run by a sick man... but he won't be doing it very long". Regarding Greenland, another potential target, Denmark's PM said if the US were to attack another NATO nation, then everything stops and believes Trump is serious about wanting to take over Greenland. Regarding the moves in oil, ING writes that the reaction following the US arrest of Maduro suggests the market is more focused on the potential for supply increases in the longer term than any short-term disruptions from a power transition. Some had anticipated a rise in oil prices following the weekend due to near-term uncertainty over flows.

EQUITIES

CLOSES: SPX +0.64% at 6,902, NDX +0.77% at 25,401, DJI +1.23% at 48,977, RUT +1.58% at 2,548

SECTORS: Utilities -1.16%, Consumer Staples -0.33%, Health -0.31%, Technology -0.15%, Real Estate +0.15%, Communication Services +0.73%, Industrials +1.14%, Materials +1.21%, Consumer Discretionary +1.93%, Financials +2.16%, Energy +2.67%.

EUROPEAN CLOSES: Euro Stoxx 50 +1.30% at 5,926, Dax 40 +1.29% at 24,856, FTSE 100 +0.54% at 10,005, CAC 40 +0.20% at 8,212, FTSE MIB +1.04% at 45,847, IBEX 35 +0.70% at 17,614, PSI +0.82% at 8,470, SMI -0.24% at 13,235, AEX +1.81% at 985.

STOCK SPECIFICS:

- US President Trump stated US oil companies would move into Venezuela, restore production, and sell oil internationally, following the US capture of Maduro. Of note for **Chevron (CVX), Exxon Mobil (XOM), Haliburton (HAL).**
- Goldman Sachs raised PT on **TSMC (TSM)** to TWD 2,330 (prev. 1,720) and maintained 'Buy' rating, citing strong AI-driven growth.
- **ASML (ASML)** upgraded at Bernstein to 'Outperform' from 'Market Perform'
- Apollo-backed investor group to invest > USD 1bln in **QXO (QXO).**
- **Mobileye (MBLY)** secured a major US automaker as a customer for its next-gen chip, lifting production outlook.
- **Duolingo (DUOL)** was upgraded at BofA to 'Buy' from 'Neutral'
- **Estee Lauder (EL)** was double upgraded at Raymond James to 'Strong Buy' from 'Market Perform' with a PT of USD 130 and added shares to the firm's Analyst Current Favourites list.
- **Coinbase (COIN)** was upgraded at Goldman Sachs to 'Buy' from 'Neutral'.
- US DoE announces USD 2.7bln to strengthen American uranium enrichment

FX

The Dollar Index erased gains seen overnight as an unexpected drop in the ISM Manufacturing PMI offset strength in response to the US capture of Venezuelan President Maduro. The geopolitical developments kept haven demand in play, originally supporting USD, with the dollar's liquidity likely another supporting factor. That said, ISM Mfg PMI printed 47.9 (exp. 48.4, prev. 48.2), albeit a jump in Employment and New Orders was present. US equities were untouched by geopolitics, while US treasuries caught a bid before extending on the ISM miss, leaving US yields lower across the curve. Ahead, geopolitics is likely to be the main focus, with countries scrambling for further details given the surprise nature of the attack/capture. Additionally, US relations between Colombia and Greenland will now be scrutinised, given that US President Trump floated an operation on the former and has exhibited interest in the latter. Separately, US data due this week includes ISM Services PMI and NFP. DXY hit before moving to highs of 98.861 before trading around lows of 98.27 into APAC trade

Sterling, NZD, JPY, and **AUD** strengthened vs USD while **EUR** and **CHF** eked out marginal strength. For Antipodes, the rally in metals supported strength, while Sterling was buoyed by the BoE's Consumer Credit rising well above expectations in November to GBP 2.077bln (exp. 1.1).

CAD was the notable underperformer to start the week, as desks note Canada's oil market may face downside risks from the potential reintroduction of Venezuela's oil reserves. Desks highlight the lack of competition to Canada's heavy crude and its reliance on exports to the US, but if Venezuela's reserves were to be unlocked, economic pressure may follow, given that the US is the most dependent on heavy crude it has ever been. USD/CAD remains firmer at ~1.3760, but off the 1.3812 highs.

EMFX: Latam currencies performed well against USD, as said ISM-induced weakness left COP, BRL, and CLP all firmer despite original weakness on geopolitical concerns.