



The Weekly Market Update – 2/2/26: Next Fed Leader Is Nominated; It’s Complicated

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	6,939.03	0.34%	1.37%	1.37%	14.87%	6,978.60	0.6%
Dow Jones Industrial Average	48,892.47	-0.42%	1.73%	1.73%	9.76%	49,590.20	1.4%
NASDAQ Composite	23,461.82	-0.17%	0.95%	0.95%	19.54%	23,958.47	2.1%
Russell 2000	2,613.74	-2.08%	5.31%	5.31%	14.25%	2,718.77	4.0%
MSCI EAFE (USD)	3,042.84	1.56%	5.19%	5.19%	27.86%	3,061.23	0.6%
MSCI Emerging Markets (USD)	1,528.09	1.80%	8.81%	8.81%	39.76%	1,556.80	1.9%
Bloomberg Commodity Index	120.70	0.93%	10.04%	10.04%	18.00%	237.95	97.1%
Barclays U.S. Aggregate Bond	93.91	-0.05%	-0.18%	-0.18%	3.54%	112.07	19.3%

Source: FactSet

Markets were volatile to end January as investors reacted to the nomination of Kevin Warsh to be the next Chairman of the U.S. Federal Reserve Bank (Fed). The S&P 500 equity index decreased -0.4% on Friday (1/30/26), the last trading day of January, but still ended the week up +0.3%, including an all-time closing high on Tuesday. However, equity market gains skewed somewhat defensive (Consumer Staples and Health Care were positive) while more volatile risk assets declined (the S&P Technology sector decreased -1.3% on Friday). But far bigger declines were seen in gold (-8.9% on Friday to \$4,895 per ounce, oz) and silver (down -31.4% to \$78.29/oz), and Bitcoin dipped -5.2% over two days. The move in commodities was attributed to the Warsh nomination because he is well-known to markets and was on President Trump’s short list, suggesting the potential for less Fed-related political chaos and uncertainty. If the recent surge in commodities (silver +146% from 9/30/25 to 1/29/26) was partially due to potential Fed drama (new Fed Chair, the attempt to remove a sitting governor, and recent Department of Justice subpoenas related to current Fed Chair Powell’s 2025 Congressional testimony), the nomination of Warsh, a well-vetted insider, likely calmed fears. The U.S. Dollar index rallied on Friday, perhaps evidence of the “less political chaos” trade. We suspect there is more to the Friday decline in gold and silver than just the Kevin Warsh news, but now Warsh must be confirmed by the U.S. Senate by mid-May when the term of the next Fed Chair begins. Kevin Warsh has impressive academic (Stanford undergrad, Harvard Law, Hoover Institution) and Wall Street (Morgan Stanley, Stanley Druckenmiller) experience, was an economic advisor to George W. Bush, and previously served as a Fed Board Governor from 2006 to 2011. He has inflation hawk credentials (which appears counter to the president’s push for lower interest rates) but believes that improved monetary and fiscal policy can drive lower market rates. This includes a reduction in the Fed’s balance sheet, and less Fed participation in the U.S. Treasury market over time. He has also embraced a closer Fed working relationship with the U.S. Treasury Secretary (currently Scott Bessent) and modernizing Fed tools to monitor inflation by emphasizing the money supply and government spending, and minimizing past economic data tied to wage growth and employment.

As the Fed held its first monetary policy meeting of 2026, it left its fed funds interest rate target unchanged at 3.50% to 3.75%. Although 2 of 12 Fed voters wanted a -0.25% rate cut and Chair Powell indicated a path to a lower fed funds target exists, the Fed statement and post-meeting press conference suggested that more interest rate cuts over the next few months are unlikely (there is no scheduled Fed meeting in February, with meetings in March and April). Chair Powell discussed stronger economic data from the prior meeting in December and believes the unemployment rate is stable. The Fed would like to see inflation move closer to its +2.0% target but sees tariff-driven price pressure as temporary. We see the potential for two Fed rate cuts in 2026, but most likely later in the year.

Earnings reports are front and center this week ahead of Friday’s January jobs report. A quarter (128) of S&P 500 companies are scheduled to report 4Q25 earnings results this week. Through Monday morning (2/2/26), earnings growth is tracking up +16%, twice the +8% estimate (as of 12/31/25). For the full quarter, after factoring the upside so far, the estimate is now +12%. The FactSet consensus for January growth in nonfarm payrolls (jobs) is +80 thousand (K), which would represent a solid improvement from the November and December average of +53K. The unemployment rate is estimated to remain unchanged at 4.4%.

James D. Ragan, CFA
Co-CIO, Director of Investment Management & Research
(206) 389-4070
jragan@dadco.com

Important Disclosure: The information contained herein has been obtained by sources we consider reliable, but is not guaranteed and we are not soliciting any action based upon it. Any opinions expressed are based on our interpretation of data available to us at the time of the original publication of the report. Assumptions, opinions, and estimates constitute our judgment as of the date of this report and are subject to change without notice. Investors must bear in mind that inherent in investments are the risks of fluctuating prices and the uncertainties of dividends, rates of return and yield, as well as broader market and macroeconomic fluctuations and unforeseen changes in the fundamentals or business trends affecting the securities referred to in this report. Investors should also remember that past performance is not indicative of future performance and D.A. Davidson & Co. makes no guarantee, express or implied, as to future performance. The information is not intended to be used as the primary basis of investment decisions. Because of individual client requirements, it should not be construed as advice designed to meet the particular investment needs of any investor. It is not a representation by us, or an offer, or the solicitation of an offer, to sell or buy any security. Further, a security described in a report may not be eligible for solicitation in the states in which a client resides. D.A. Davidson & Co. does not provide tax advice and investors should consult with their tax professional before investing. Further information and elaboration is available upon request.

Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities. Growth sectors are those that generally drive expected annual sales and earnings growth that exceed market and sector average. Value stocks will typically trade at valuation levels below peer group averages. Cyclical sectors tend to be more economically sensitive, with more volatility in sales and earnings growth when the economy is either decelerating or accelerating. Defensive sectors (which often include Consumer Staples, Health Care and Utilities) tend to outperform during periods of economic uncertainty or slow down, as many of the products and services in these sectors are essential in daily life and less impacted by economic swings.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric.

S&P 500 earnings growth reflects the year-over-year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index.

Calculations on the price per ounce of silver and gold are sourced through FactSet and come from the Chicago Mercantile Exchange (CME) and the New York Mercantile Exchange (NYMEX) for gold and silver futures contracts.

The Federal Reserve Bank's Open Market Committee (FOMC) consists of twelve members – the seven members of the Board of Governors of the Federal Reserve System, the president of the Federal Reserve Bank of New York, and four of the remaining eleven Federal Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth.

Fed Chairman nominee Kevin Warsh has given numerous interviews in 2024 and 2025 discussed potential reforms at the Federal Reserve Bank. On 4/25/2,5 at Stanford University he gave a [lecture for the Hoover Institution](#).

The term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals. The Board of Governors of the Federal Reserve System is responsible for the discount rate and reserve requirements, and the Federal Open Market Committee is responsible for open market operations. The Federal Reserve influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and, in this way, alters the federal funds rate. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight. The Fed concluded its January meeting on 1/28/26 and issued a [policy statement](#). A hawkish fed policy is one that favors higher interest rates to slow inflation pressure, while a dovish policy favors lower interest rates to spur economic growth.

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics, while the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component

of the establishment survey is drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work.

The consumer price index (CPI) is a measure of average change, over time, in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics.

The U.S. Dollar index is a measure used to evaluate the U.S. dollar vs. a basket of currencies from U.S. trading partners. These currencies are the euro, Swiss franc, Japanese yen, Canadian dollar, British pound, and Swedish krona. It has a base of 100 and values are interpreted relative to this base.

In August 2025, President Trump announced the firing of Federal Reserve Governor Lisa Cook for cause in a case that has made it to the Supreme Court. A detailed discussion of the status of the case was written and updated by the [Economic Policy Institute](#).

On 1/9/26, the U.S. Justice Department (DOJ) opened a criminal investigation in to Fed Chairman Jerome Powells testimony to Congress regarding renovation the Federal Reserve headquarters renovation in Washington D.C. The DOJ has issued a subpoena for records but there have not been any indictments as of 2/1/26. On 1/11/26, Fed Chair [Jerome Powell issued a statement](#).