Weekly Insight

February 4, 2026

An Absolute Wild Week in Markets

Key Takeaways

- *Unprecedented selling in software names.*
- *Fed Chair nominee announced.*
- *Significant industry rotation underway.*

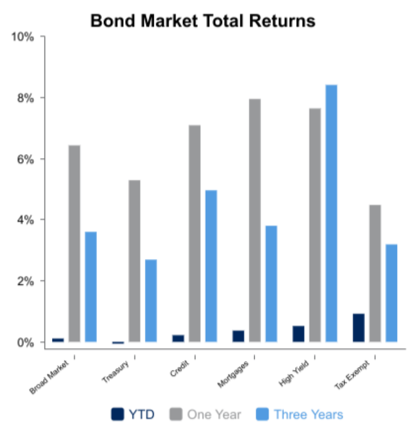
The S&P 500 finished the week down as the NASDAQ dragged the broader indices lower. The equity markets have moved beyond broadening to early signs of a complete regime shift. Everyone was waiting on the S&P 493 to step up and participate, but now they are racing ahead of the more traditional market leaders. The NASDAQ finished the week down 4% as semiconductors sold off 9%. The Magnificent 7 Index was down 3.7%. Meanwhile, the S&P 500 Equal Weighted Index was up 1%.

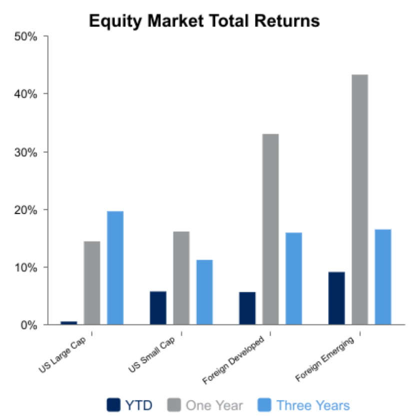
The software industry continues to garner significant attention as the sell-off intensified this week. The S&P 500 Software Index was down 17.5% this week. News flow related to AI productivity tools helped start another round of selling. Countering this weakness was strength in cycle industries. The Dow Jones Transportation Index was up 13.6% this week while the Chemical Index was up 14.4%. Over the last 40 days, the S&P 500 Chemical Index has outpaced the Software Index by more than 50%. This is more than double any period over the last 24 years and only higher when the tech bubble deflated 25 years ago.

Higher inflation amid improving economic data

The key economic data point this week was the ISM report that showed new orders reaching their highest level in more than three years. ISM new orders came in at 57.1, a nearly 10-point jump from the prior month. Employment remained weak at 48.1, but did move up more than 3 points. PPI came in much hotter than expected with a core reading at +3.3% versus the prior year. This was 0.4% above consensus expectations. Also, the Citi Economic Surprise Index hit a two-year high this week.

Kevin Warsh was nominated as the new chair of the Federal Reserve. The initial market reaction was not favorable given a few hawkish comments he made in the past. After the FOMC announced in early December that they would resume Treasury purchases, silver prices would rise more than 130% over a 50-day period. This was the second largest move in 50 years and only topped when the Hunt brothers tried to corner the market in 1980. The Fed nomination, who in the past expressed doubt about large scale asset purchases, helped send silver prices down more 30% on the day. The market will be paying close attention to any public comments he makes regarding the outlook on interest rates and Treasury purchases.





Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper	3.75	4.50	4.75
3-Month T-Bill	3.68	4.31	4.64
10-Year Treasury	4.27	4.42	3.52
30-Year Treasury	4.92	4.64	3.61
10-Year Corporate AA	4.98	5.20	4.48
10-Year High Yield Corp	6.25	6.49	7.06
Commodity Prices ($)	**Current**	**12M Ago**	**3YR Ago**
Gold ($/oz.)	4,965	2,867	1,865
Oil (WTI, $/barrel)	65.14	71.03	73.39
Currencies	**Current**	**12M Ago**	**3YR Ago**
USD (Dollar Index Spot)	97.62	107.58	102.92
USD/EUR	0.85	0.96	0.93
USD/JPY	156.86	152.61	131.19