

## Cyclical leadership anchors broad push to record highs

Stocks continued their 2026 run with a strong, broad-based advance, with the S&P 500 and DJIA setting multiple record highs throughout the week.



Early-week strength was driven by a sharp rotation into cyclical and economically sensitive areas, while mega-cap leadership reasserted itself selectively by week's end.

The DJIA (+2.3%) led the major averages, buoyed by outsized gains in financials, industrials, and energy names, while the Nasdaq Composite (+1.9%) and S&P 500 (+1.6%) also advanced meaningfully. Smaller-cap stocks stood out, with the Russell 2000 (+4.6%) and S&P Mid Cap 400 (+3.3%) extending their early-year leadership as investors leaned into domestic growth exposure.

Sector performance reflected a clear pro-cyclical bias. The Consumer discretionary (+5.8%) and materials (+4.8%) sectors captured the widest gains, supported by strength in homebuilders, retailers, and metals-related names. The industrials sector (+2.5%) advanced amid renewed

optimism around infrastructure and defense spending, while the energy sector (+2.1%) benefitted from volatility tied to developments in Venezuela and shifting expectations around global oil supply. In contrast, the utilities sector (-1.6%) finished as the lone declining sector, pressured by rising risk appetite and rotation away from defensive positioning.

Within technology, performance was more nuanced. The information technology sector finished flat, masking pronounced internal dispersion. Semiconductor stocks were a notable bright spot with renewed enthusiasm around the AI buildout, particularly in memory and chip manufacturing names. That strength contrasted with more uneven performance among mega-cap growth stocks.

Several thematic groups reinforced the week's cyclical tilt. Economic data pointed to resilient single-family housing demand and policy developments supported mortgage markets.

Macro data helped shape the narrative without derailing risk appetite. The December employment report showed softer payroll growth but a lower unemployment rate, easing fears of an abrupt slowdown in consumer spending while reinforcing expectations that the Fed can remain patient on further rate cuts. Elsewhere, strong productivity data and firm services-sector activity underscored an economy that continues to grow without generating significant inflationary pressure.

All told, the first full trading week of 2026 reflected a market leaning into growth with increasing confidence. Leadership broadened meaningfully beyond mega-cap technology, small- and mid-cap stocks took the early lead, and cyclical sectors reassured themselves as investors positioned for a firm economic backdrop. While upcoming inflation data and earnings season will test that optimism, the market enters the weeks ahead with momentum firmly intact.

- Russell 2000: +4.6%
- S&P Mid Cap 400: +3.3%
- DJIA: +2.3%
- Nasdaq Composite: +1.9%
- S&P 500: +1.6%

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