Central Bank Independence in Focus as Markets Close At Record Levels Look Past Political Noise; CPI Data and Big Six Bank Earnings Ahead.

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The U.S. and European stock markets closed mixed, as investors reacted to renewed uncertainty surrounding Federal Reserve leadership and its implications for monetary policy independence. From **January 13 to January 15, 2026**, the earnings season opens with reports from **Delta Air Lines** and **JPMorgan Chase** on January 13, followed by **Bank of America**, **Citigroup**, and **Wells Fargo** on January 14, and concluding on January 15 with **Goldman Sachs**, **Morgan Stanley**, and **BlackRock**, offering an early, comprehensive read on corporate fundamentals, consumer demand, and capital markets momentum as 2026 gets underway.

Wall Street

U.S. equities rebounded from early losses, with **all the main indexes reaching record highs**, as the **S&P 500 rose 0.16%**, with investors largely looking past renewed concerns about Federal Reserve independence and potential regulatory headwinds for banks. The **Dow Jones Industrial Average rose 86.13 points** after recovering from **intraday losses** approaching **500 points**, and **the Nasdaq Composite gained 62.58 points.**

Markets had opened under pressure after confirmation that federal prosecutors have **opened a criminal investigation into Jerome Powell**, tied to prior testimony on Federal Reserve office renovations. In a rare video statement, Powell rejected the allegations and characterized the probe as an attempt by Donald Trump to influence monetary policy. Powell's term as Fed chair expires in May.

Volatility was amplified by President Trump's proposal to temporarily cap credit card interest rates at 10%, which weighed heavily on financial stocks amid concerns over tighter credit conditions and pressured profitability.

Financials were the **weakest sector,** with **Citigroup down 2.46%, JPMorgan Chase down 1.60% and Bank of America off 1.80%, and Capital One down 6.44%.** On the other hand **Goldman Sachs rose 1.52% and Morgan Stanley rose 1.28%.**

Despite the headlines, dip-buying emerged late in the session, supported by gains in Walmart and select technology stocks. Investors focus now shifts to Tuesday's December CPI release. While the Fed cut rates three times in 2025 as inflation stabilized, policymakers are widely expected to pause at the upcoming meeting as they assess early-2026 inflation and growth dynamics.

Corporate Earnings Parade Kicks Off

The corporate earnings parade begins this month, offering investors an early and important read on corporate fundamentals, consumer demand, and financial conditions as 2026 gets underway. The season opens on **January 13, 2026**, with results from **Delta Air Lines** and **JPMorgan Chase**, providing initial insight into travel demand, credit trends, capital markets activity, and balance-sheet strength. On **January 14**, attention shifts to the broader banking sector with earnings from **Bank of America**, **Citigroup**, and **Wells Fargo**. These reports will help frame the outlook for net interest margins, loan growth, credit quality, and consumer resilience amid moderating inflation and evolving rate expectations.

The first wave concludes on **January 15**, with results from **Goldman Sachs**, **Morgan Stanley**, and **BlackRock**. Together, these firms offer a comprehensive snapshot of investment banking pipelines, trading activity, asset flows, and institutional risk appetite—key indicators for both market confidence and broader economic momentum.
Taken together, this opening slate of earnings should provide a timely and representative view of Corporate America as markets navigate cooling inflation, shifting policy expectations, and early-year portfolio repositioning.

Eurozone Markets

European equities closed modestly higher to start the week, as investors balanced rising geopolitical tensions in the Middle East with company-specific earnings developments. **The STOXX Europe 600 fi**nished the session up just over 0.1%, with most major bourses ending in positive territory, despite early weakness and mixed sector performance.
Geopolitical risk remained a central focus. Market participants are closely monitoring developments in Iran following reports of widespread protests met with a violent crackdown by authorities. According to multiple media reports, **Donald Trump is weighing a range of response options**, including military, cyber, and economic measures. Briefings to the president are reportedly scheduled for Tuesday, keeping geopolitical uncertainty elevated and contributing to cautious positioning across European assets.

Single-Stock Highlights

Dutch semiconductor equipment maker **BE Semiconductor Industries (BESI**) was a standout performer, with shares jumping 7.51% after the company reported preliminary fourth-quarter order figures that exceeded expectations. BESI now expects Q4 orders to exceed €250 million, representing a 43% sequential increase from the third quarter and a 105% year-over-year gain. The stock briefly touched its highest level since July 2024 before paring some gains. The company is scheduled to report full fourth-quarter results next month.
In contrast, **Heineken shares came under pressure after the company announced that CEO and Chairman Dolf van den Brink plans to step down** on May 31. The stock initially fell as much as 6% before trimming losses to close approximately 4.1% lower. Heineken's supervisory board confirmed it has initiated a search for a successor, adding near-term uncertainty to the stock.
European markets are showing resilience amid rising geopolitical tension, but stock-level dispersion remains pronounced.

U.S. Policy Outlook

The primary concern in the primary market is that this episode could be perceived as an erosion of central bank independence. Chair Powell's term expires in May, raising speculation around a potentially more dovish successor. However, monetary policy decisions are not determined by the Fed chair alone. They are set by the **Federal Open Market Committee**, which comprises 12 voting members, each with equal voting weight. Additionally, the Fed's institutional design—14-year staggered terms for governors—was explicitly created to insulate policy from political pressure. Recent public remarks from several FOMC members have reinforced the importance of maintaining that independence.

Inflation Nowcasting Update:

- The latest inflation nowcasts points to continued, broad-based moderation, as the new year begins. December data shows inflation holding in the mid-2% range across measures, with CPI at 2.57% and Core CPI at 2.64%, while PCE and Core PCE remain slightly higher at 2.58% and 2.73%, respectively—consistent with a gradual but uneven disinflation process.

- Looking ahead to January, the nowcast signals further easing. Headline CPI is projected to decline to 2.24%, with Core CPI moderating to 2.45%. PCE inflation is expected to soften to 2.38%, while Core PCE edges down to 2.64%. Overall, the trajectory reinforces the view that inflation pressures are cooling steadily, though core measures remain sticky enough to warrant continued caution from policymakers rather than a rapid shift toward aggressive easing.

Eurozone Summary:

- **Stoxx 600:** closed at 610.95, up 1.28 points or 0.21%.
- **FTSE 100:** closed at 10,140.70, up 16.10 or 0.16%.
- **DAX Index:** closed at 25,405.34, up 143.70 or 0.57%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 49,590.20, up 86.13 points or 0.17%.
- **S&P 500:** closed at 6,977.27, up 10.99 points or 0.16%.
- **Nasdaq Composite:** closed at 23,733.90, up 62.58 points or 0.26%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,072.44, down 42.00 points or 1.02%.
- **Birling Capital U.S. Bank Index:** closed at 9,502.09, up 24.43 points or 0.26%.
- **U.S. Treasury 10-year note:** closed at 4.19%.
- **U.S. Treasury 2-year note:** closed at 3.54%.

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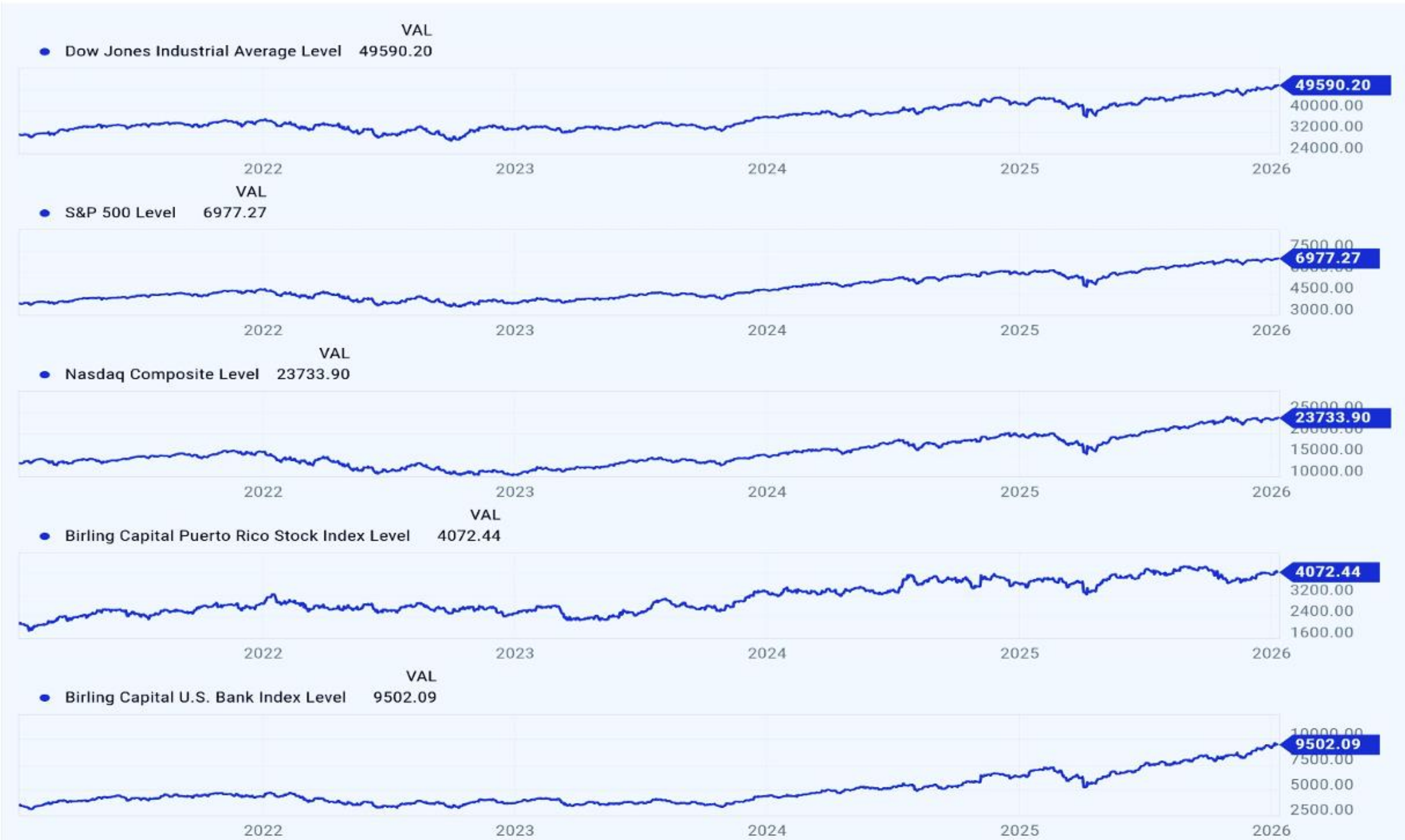
Inflation Nowcasting Updated 1/12/2026

Inflation Nowcast	CPI Forecast	Core CPI	PCE	Core PCE
December	2.57%	2.64%	2.58%	2.73%
January	2.24%	2.45%	2.38%	2.64%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