FEATURE

WEEKLY MARKET REVIEW 12 January 2026

The week in seven charts

Fed Nowcast Q4 real GDP past 5%

Q3 productivity jumped 4.9% while unit labor costs fell, delivering strong growth without inflation and helping propel Q4 GDP expectations above 5%. Each week, the Syz investment team takes you through the last seven days in seven charts.

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PRIVATE BANKING

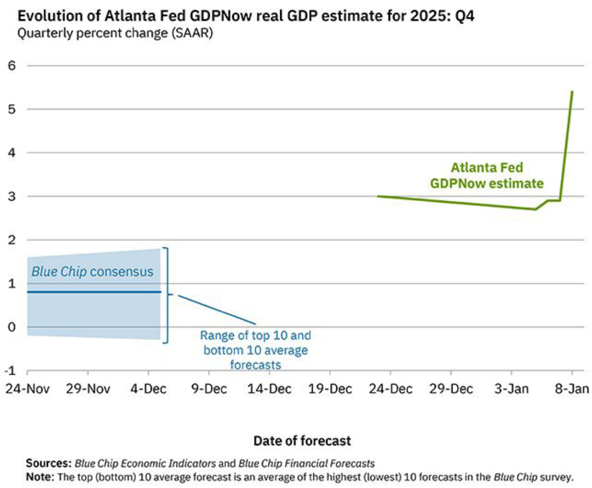
Chart #1

Did the US real GDP grow by more than 5% in Q4?

As of 8 January,, the Atlanta Fed's GDPNow model nowcasts real GDP growth at +5.4% in Q4 2025, up from 2.7% previously, an unusually large revision in a short period of time.

Real personal consumption expenditures growth was revised higher from 2.4% to 3.0%, and the contribution from net exports reversed meaningfully from -0.30% to +1.97%. Combined with easing inflationary pressures and rising production, the data point to a promising resilient US economy.

Looking ahead, the macro backdrop could be further supported by a $350bn tax cut, potential Federal Reserve balance-sheet expansion, and additional rate cuts, reinforcing an already strong growth impulse.



Source: Truflation, Atlanta Fed

Chart #2

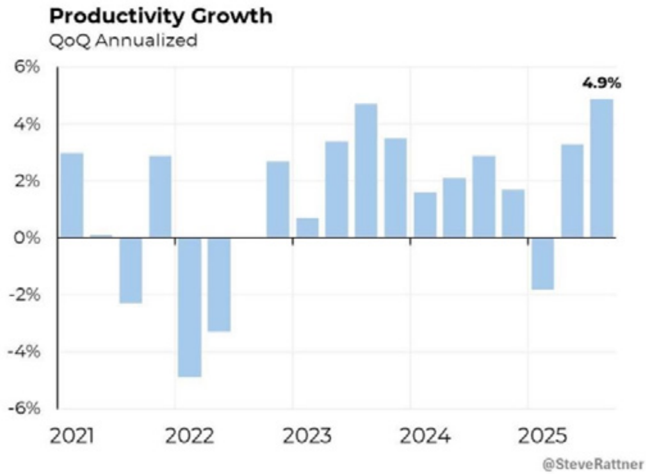
Is this the Goldilocks US economy?

On Thursday, the US Bureau of Labor Statistics (BLS) released preliminary Productivity and Costs data for Q3 2025 (July-September) and it is a masterclass in efficiency.

US productivity surged 4.9%, the strongest reading in nearly six years, well above the 3.3% consensus and up from a 4.2% upwardly revised Q2 print. At the same time, unit labour costs fell 1.9%, even as hourly compensation continued to rise at a 4–5% pace, indicating that productivity gains more than offset wage growth.

The result is strong output growth without meaningful inflationary pressure. This indicates accelerating economic efficiency, often driven by technology, innovation, or better processes. This efficiency backdrop helps explain the Atlanta Fed's recent upward revision of its Q4 GDP nowcast to +5.4%

The Productivity and Costs report measures how efficiently the economy produces goods and services. This robust productivity growth is positive for the economy, as it helps contain wage-driven inflationary pressures and supports potential Fed rate cuts without overheating. This is bullish for markets, the economy, and risk assets.



Source: Quantus Insights, Truflation

Chart #3

Why this is not about Maduro, and not even about Venezuela

What appears as regional politics in South America is better understood as a coordinated effort to reshape global energy flows and strategic chokepoints.

Venezuela is the "Patient Zero" for a new era of American dominance. By asserting control over Venezuela's oil and aligning Nigeria under Western oversight, Washington is constraining China's access to cheap and reliable energy. Control over supply, paired with control over transit routes, translates into power over the rival economy. From the Bab el-Mandeb to the Strait of Hormuz, Washington is positioning itself to shield its own economy while leaving China more exposed to disruption. There is also a financial dimension. Control over major energy producers helps anchor oil trade within dollar-based systems, reinforcing the petrodollar's central role in global markets.

If China was the immediate target, Iran was the implicit one. Tensions in Tehran are escalating. Iran's deepening economic crisis had triggered widespread protests across more than two dozen provinces. On the eve of the Maduro operation, Trump warned that the United States was "locked and loaded and ready to go" if Iran "shoots and violently kills peaceful protesters." Securing Venezuelan heavy crude provides Washington with a strategic buffer. If a confrontation were to disrupt the Persian Gulf, alternative supply from Venezuela would limit the economic shock. Venezuela becomes the ultimate insurance policy, making military escalation in the Middle East "affordable."

Venezuela is a strategic precedent. If this succeeds, it is a blueprint for reasserting dominance over trade routes and energy flows for the next 50 years. But there's a massive "IF." If the US gets bogged down in a prolonged crisis in Caracas, it drains the very capital needed to project power in the Middle East and Asia.

Source: Ibrahim Majed on X

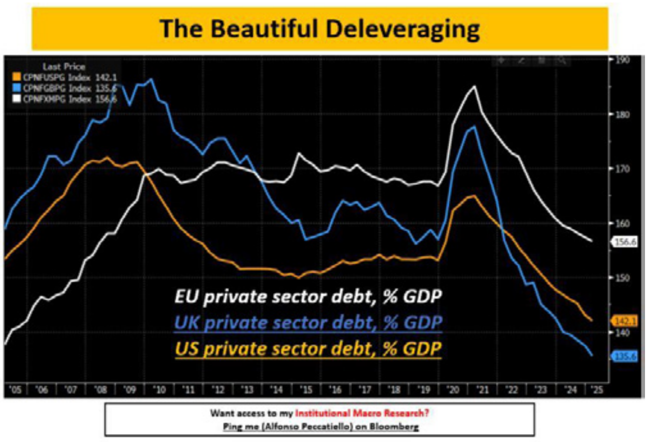
Chart #4

The beautiful deleveraging

While concerns remain fixated on rising public debt, the more relevant adjustment has taken place in the private sector. Unlike governments, households and firms cannot monetise liabilities, making private sector leverage the primary source of systemic stress. Since the 2008 crisis, households and corporates across the US, UK, and EU have spent more than a decade repairing balance sheets, steadily reducing debt relative to GDP. Over the same period, governments effectively absorbed the burden through aggressive fiscal expansion, allowing a gradual transfer of leverage from the private to the public sector.

The result is a far more resilient private economy, capable of operating under interest rates near 5% without triggering an immediate collapse.

The big question for 2026: how long can governments keep expanding deficits before they hit the wall of inflation and credibility? Can this "beautiful" de-leveraging continue forever?



Source: Alfonso Peccatiello, The Macro Compass - Institutional MacroResearch

Chart #5

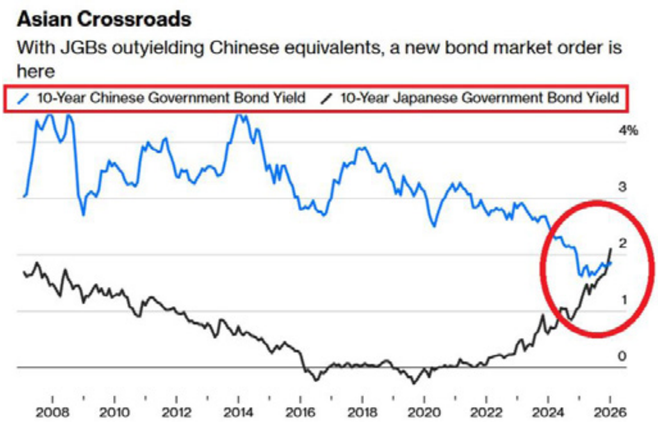
A historical reversal in Asia

For more than a decade, Chinese sovereign yields consistently traded above Japanese yields. China was the growth engine; Japan was the land of "lower for longer."

That relationship has now inverted. Japanese 10-year JGB yields have risen from -0.28% in 2019 to around 2.10%, a level last seen in the late 1990s. At the same time, China's 10-year yields have fallen from 3.05% to about 1.86%, close to record lows.

It is a tale of two opposite crises. In Japan, the Bank of Japan is tightening policy to levels not seen in three decades. Prime Minister Takaichi is advancing a record FY2026 budget with a sharp increase in defence spending. The combination of fiscal expansion and higher rates is placing sustained pressure on the Japanese bond market. In China, conditions are moving in the opposite direction, as the real estate downturn deepens, deflation risks intensify, and the central bank is forced to maintain an accommodative stance to stabilise activity.

For JGB investors, this creates a structural "lose-lose" scenario. If growth re-accelerates, the BoJ may be compelled to tighten more aggressively, pushing yields higher and bond prices lower. If growth slows, JGBs risk underperforming higher-yielding alternatives such as US Treasuries, encouraging capital outflows. The risk extends beyond Japan. Years of global carry trades funded by near-zero-cost yen are being challenged as funding costs rise. A strengthening yen combined with higher yields could trigger disorderly unwinds, with spillovers across global markets. This dynamic represents a meaningful downside risk for 2026 and beyond.



Source: Global Markets Investor, Bloomberg

Chart #6

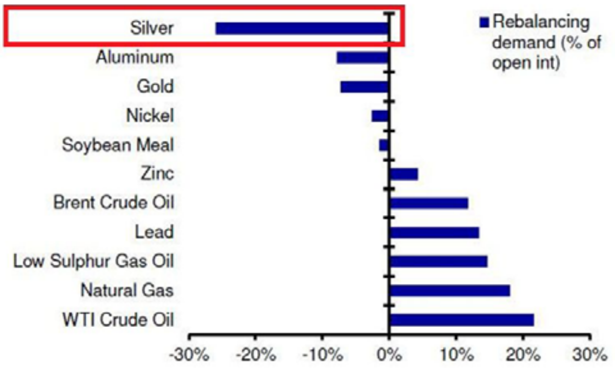
Silver bulls beware of index rebalancing!

The 2026 rebalancing of the Bloomberg Commodity Index (BCOM) and the Goldman Sachs Commodity Index (GSCI) began last week and is forcing sizable portfolio adjustments.

Precious metals are among the most affected, with estimated outflows of more than $6.8bn each for gold and silver. Silver faces particularly heavy pressure, as its weight in the BCOM is set to fall sharply from around 9.6% to roughly 1.45%, implying significant selling by passive funds.

Rebalancing demand is estimated at close to 25% of open interest, which could weigh on prices during the 8-14 January roll window. With silver trading near $78/oz after gains of roughly 150% in 2025, it stands out as a natural source of funding. While near-term volatility and price dips are likely, the longer-term outlook remains supported by strong industrial demand and persistent supply deficits.

Index rebalancing supply and demand as % of open interest in first liquid contract (excluding cocoa)

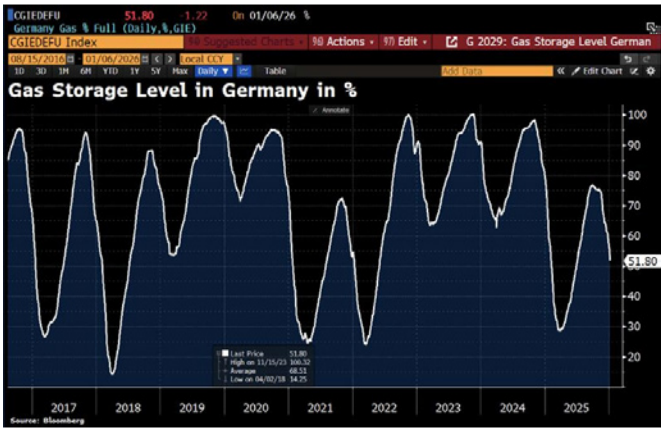


Source: Deutsche Bank

Chart #7

In Germany, cold weather is rapidly draining gas storage

German storage facilities are currently only 52% full. This is the lowest seasonal level since at least 2020, and even below 2022, the year Russia launched its invasion of Ukraine.



Source: HolgerZ, Bloomberg

Welcome to Syzerland®

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