

# Oil, The Forgotten Commodity...

CIO Insights  
January 2026

LIGHTHOUSE  
CANTON

## Oil, The Forgotten Commodity... | CIO Insights

Macro data remains a mess, both in terms of data quality and importantly directionally. The much-watched payrolls last week had everything for everyone – weaker payrolls for the rate cut aficionados and lower unemployment rate for the inflation hawks. Dec inflation data (13 Jan, Tue) should be distortion free with consensus expecting a steady print (2.7% core CPI, unchanged). Futures suggest a FED on hold end-Jan.

Even as most commodities, ranging from metals to gold/silver, have strengthened, the one moribund space is oil. Venezuela does not alter the picture for now, but the world is already oversupplied with oil –YET, brent appears to be catching a bid, and in tandem, so does XLE. While this may be another false dawn, do note that sustained increase in oil prices has a directional impact on all forms of inflation, a key determinant of FED policy, and probably the one risk that does not appear priced in.

Aside from inflation data, 4Q'25 earnings season kicks off this week led by financials, in general expected to be solid with positive guidance. A possible supreme court ruling on tariffs is another variable that can shake up volatility. Meantime, "value" continues to outperform "growth" and within growth sectors, hardware names lead software laggards.

### The Market's Blind Spot: Is Rising Oil the Forgotten Risk?

#### The Current Market Picture



**Economic Data Sends Mixed Signals**  
Recent payroll data had conflicting points, leaving the market directionally unclear.



**Q4 Earnings Season Kicks Off**  
Financials are leading the season, with expectations for solid results and positive guidance.



Value



Hardware

**"Value" and Hardware Stocks Lead**  
The market continues to favor value sectors over growth, with hardware outperforming software.

#### The Overlooked Risk: Oil's Resurgence



**Oil Prices Rally Despite Oversupply**  
Brent crude prices are rising, catching a bid oven in an oversupplied global market.



**A Potential Inflation Shock**  
A sustained oil price increase directly impacts all forms of inflation, a key determinant of Fed policy.



**The Market's Unpriced Risk**  
The potential for oil-driven inflation does not currently appear to be priced in by investors.



## Focus on Oil

- Up c7% from mid-Dec lows and c5% from lows last week, brent appears to be catching a bid despite an over-supplied market.
- In tandem, XLE has delivered a 500bp outperformance vs. the broad market since late Dec'25.

**While the prognosis on oil remains lukewarm, and the recent rally could well be another false dawn, it bears watching given inflationary implications.**

## XLE vs. SPY and Brent – Directionally Aligned



Source: TradingView

## Macro Data and the FED












- Macro focus this week will be on Tuesday's inflation print. While the Nov'25 data was likely distorted by the government shutdown, Dec'25 data should be distortion free. Consensus expects a steady pace, unchanged from the previous month.
- Last week's jobs data had something for everyone – weaker payrolls were in contrast to lower unemployment, higher quits and faster than expected wage growth.
- With continuing strength in the economy, even if softening at the margin, the case for an aggressive monetary easing remains elusive, as also reflected in a 95% probability of a FED on hold end-Jan.
- Meantime, treasury yields have remained firm, now testing a key 4.2% area.



## Market Views, All Eyes on Earnings

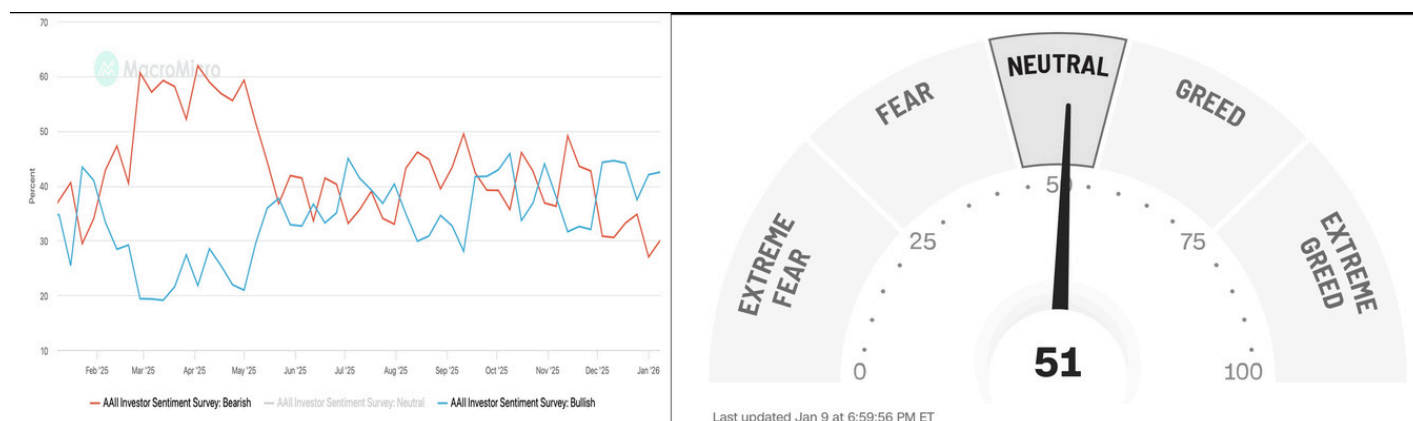
- 4Q'25 earnings season kicks off this week, led by financials. While delivery is expected to remain solid following a pick-up in deal activity, guidance is also expected to be robust – more liberal regulation and a steeper yield curve potentially helping ROEs and revenues respectively.
- Sentiment remains mostly neutral, "growth" sectors continue to struggle relative to "value" sectors. A
- clear pattern of the market favoring hardware names remains in place.

## Earnings Season Kicks off Led by Financials

Tuesday Jan 13				EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
	<b>JPMorgan</b>	JPM:US			4.94	4.81		45.89B	43.74B	\$868.1B	Q4	AM  
	<b>Bank Of New York Mellon</b>	BK:US			1.95	1.54		5.09B	4.85B	\$77.59B	Q4	AM  
	<b>Delta Air Lines</b>	DAL:US			1.75	1.85		14.84B	14.4B	\$38.44B	Q4	AM  
Wednesday Jan 14				EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
	<b>Bank Of America</b>	BAC:US			0.98	0.82		27.6B	25.3B	\$401.14B	Q4	AM  
	<b>Citigroup</b>	C:US			1.83	1.34		20.94B	19.58B	\$181.94B	Q4	AM  
	<b>Wells Fargo</b>	WFC:US			1.68	1.42		21.62B	20.38B	\$144.76B	Q4	AM  
Thursday Jan 15				EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
	<b>Morgan Stanley</b>	MS:US			2.38	2.22		17.61B	16.2B	\$265.98B	Q4	AM  
	<b>Goldman Sachs</b>	GS:US			11.59	11.95		14.4B	13.87B	\$248.02B	Q4	AM  
	<b>BlackRock</b>	BLK:US			12.83	11.93		6.76B	5.68B	\$180.88B	Q4	AM  
Friday Jan 16				EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
	<b>PNC</b>	PNC:US			4.14	3.77		5.91B	5.57B	\$72.54B	Q4	AM  

Source: Trading Economics

## Sentiment Remains Neutral



Source: MacroMicro, CNN



## Hardware Continues to Lead Software

LEADERS	LAGGARDS
<b>HARDWARE</b>	<b>HARDWARE</b>
NVDA - NVIDIA	ARM - ARM Holdings
ASML - ASML	<b>SOFTWARE</b>
MU - Micron Technology	MSFT - Microsoft
LRCX - Lam Research	META - Meta Platforms
AMAT - Applied Materials	NFLX - Netflix
INTC - Intel	INTU - Intuit
QCOM - Qualcomm	ADBE - Adobe
KLAC - KLA Corporation	PANW - Palo Alto Networks
ADI - Analog Devices	ADSK - Autodesk
WDC - Western Digital	FTNT - Fortinet
STX - Seagate Technology	WDAY - Workday
NXPI - NXP Semiconductors	PYPL - PayPal
MPWR - Monolithic Power Systems	TEAM - Atlassian
MCHP - Microchip Technology	ZS - Zscaler
ISRG - Intuitive Surgical	
GEHC - GE Healthcare	
<b>SOFTWARE</b>	
GOOG - Google (Class C)	
GOOGL - Google (Class A)	
AMZN - Amazon	
SHOP - Shopify	
APP - AppLovin	
BKNG - Booking Holdings	
EA - Electronic Arts	
TTWO - Take-Two Interactive	
CTSH - Cognizant Technology	

Source: TradingView

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