
The Great Rotation: A Week That Rewrote the Market Playbook

Weekly Intelligence Report

January 17–January 24, 2026

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Introduction: A Deceptive Calm

On the surface, the holiday-shortened week of January 17–24, 2026, felt deceptively calm. Major US indices, including the \$SPY, hovered quietly near 6940 points, barely moving by week's end. Yet, as we watched the tape and dug into the data, it became clear that this quiet exterior masked one of the most meaningful structural shifts in markets we've seen in years. Beneath that placid surface, a powerful current was reshaping the investment landscape.

In this report, we walk through the three core themes that, in our view, defined this pivotal week: the record-breaking rotation into small-cap stocks, the explosive surge that pushed precious metals to historic highs, and the market whiplash triggered by a new phase of geopolitical brinkmanship. Taken together, these developments suggest that this may be remembered as the week when the dominance of mega-cap stocks was seriously and credibly challenged—opening what could be a very different chapter for global markets (see Figure 1).



Figure 1. The rules have changed: rotation snapshot across equities, metals, and sentiment

Key takeaway: Beneath flat index-level returns, leadership broadened, precious metals surged, and geopolitics re-priced risk assets.

1. The Small-Cap Triumph: A 30-Year Record Broken

For us, tracking changes in market leadership is one of the most important parts of understanding where we are in the cycle. When leadership shifts from a tight group of mega-cap names to a broader universe of small-cap companies, we don't just see it as a sentiment swing—we see it as a re-rating of the economic outlook itself. When investors begin to believe in more durable and broad-based growth,

they tend to move down the market-cap spectrum and into businesses that are more sensitive to domestic demand.

This week, we watched that transition happen in spectacular fashion.

The standout development was the Russell 2000 index of small-cap companies outperforming the S&P 500 (\$SPX) for 14 consecutive trading sessions—a streak we haven't seen since May 1996. The numbers tell the story: in January alone, the Russell 2000 gained 8%, while the \$SPY rose just 1.4%. On January 22, the Russell 2000 set a new all-time high of 2718.77, one of eight new records it notched this month (see Figure 2).



Figure 2. Small caps break a 30-year streak versus large caps

Key takeaway: The Russell 2000's multi-week outperformance and new highs signal broadening leadership and a push away from mega-cap concentration.

From where we sit, this is not just about seasonal flows or technical factors. We see a fundamental reassessment of valuations underway. Small caps, trading at an average P/E of roughly 18, now look meaningfully cheaper than the S&P 500 at a P/E around 22. That relative value story is supported by the equal-weight S&P 500, which treats each constituent equally and is up 3.9% year-to-date, outperforming the cap-weighted benchmark.

To us, this points to more than a tactical rotation. It looks like a strategic search for diversified growth and a deliberate effort to reduce concentration risk in a narrow band of mega-cap technology giants. Investors appear to be asking a simple but powerful question: how much longer do we want to depend on a handful of names to carry the market?

And that search for value beyond the mega-caps did not stop with equities. It spilled over with force into a part of the market that traditionally reflects anxiety about exactly this kind of uncertainty: precious metals.

2. Precious Metals Explode: When Silver Hit \$100

We often view precious metals as a live read on investor psychology: they capture fear, inflation expectations, and trust—or lack of it—in fiat currencies. This week, silver, which usually lives in the shadow of gold, moved front and center.

We watched silver drive toward the psychologically charged \$100 per ounce level, touching an intraday high near \$103 on January 23. That move crowned an extraordinary month: roughly 40% gains in 30 days, and about 230% over the past year. Gold, though less dramatic, wrote its own headline, reaching a new all-time high of \$4941 per ounce, up 76% year-over-year.

This wasn't a one-factor story. In our view, it was a convergence of key forces that created a near-perfect setup for metals. A weak U.S. dollar provided a crucial tailwind, with the \$DXY range-bound between 1202–1206, making metals more attractive to non-dollar investors. At the same time, geopolitical tensions escalated, and precious metals again proved their role as a safe haven, with the rally directly stoked by President Trump's aggressive rhetoric over the acquisition of Greenland and tariff threats against European allies (see Figure 3).

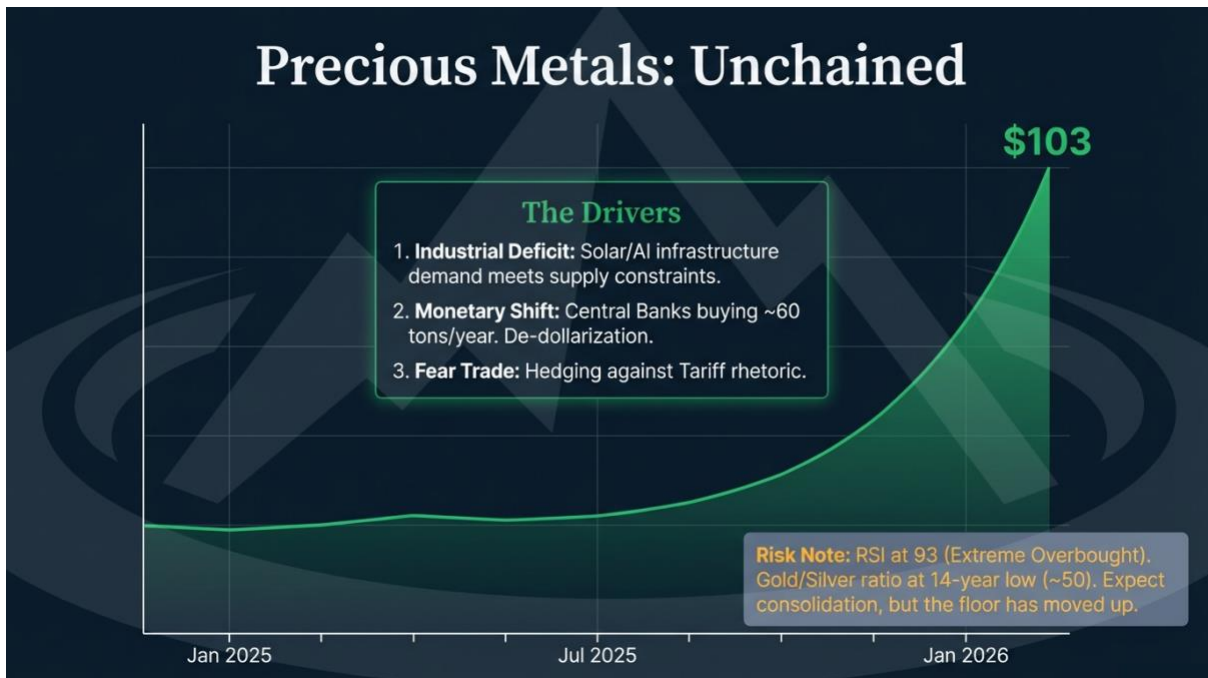


Figure 3. Precious metals rally: silver approaches \$100 as gold prints new highs

Key takeaway: A weaker dollar and rising geopolitical stress tightened metals markets, but momentum looks stretched after a near-vertical move.

Behind the scenes, we also see structural demand from central banks, particularly in emerging markets, continuing to diversify away from the U.S. dollar. That dynamic was strong enough for Goldman Sachs to lift its year-end gold target to \$5400 per ounce.

Silver, however, has an additional layer: it is deeply embedded in the real economy. It is a critical input for green energy infrastructure and AI-related hardware, and we're already seeing signs of a structural supply deficit. Export limits from China and shrinking inventories at COMEX and London have tightened the market further. As prices went parabolic, a wave of speculative capital followed, with silver ETF inflows reaching \$922 million in 30 days.

We continue to see a strong long-term case for precious metals, but we have to acknowledge how stretched this move has become. Silver now looks extremely overbought, with an RSI near 93. The gold-to-silver ratio has dropped to a 14-year low in the 49–52 range, a level that has historically signaled a speculative peak in silver and often preceded sharp corrections.

In our view, while the weak dollar and robust industrial demand provided solid foundations for the rally, the final, vertical phase was fueled by geopolitical brinkmanship—a theme that also defined the week's broader market volatility.

3. The Greenland Gambit: Navigating Geopolitical Whiplash

This week provided a vivid reminder of how tightly populist foreign policy and capital market volatility are now intertwined. We watched billions in market value created and erased in a matter of days, driven less by economic fundamentals and more by political theater.

The episode began on January 17, when President Trump announced his intention to impose 10% tariffs on eight European nations in response to their opposition to U.S. plans to acquire Greenland. The real shock was not just the initial tariff threat, but the escalation clause: if no agreement was reached by June, tariffs could rise to 25%. Markets immediately recognized the potential for a serious economic shock, and European indices sold off sharply.

Then, just four days later, everything flipped. After a meeting with the NATO Secretary General on January 21, Trump announced that a “framework” agreement had been reached and that the tariffs were canceled.

For us, the lesson is increasingly clear. In the “Trump 2.0” era, this cycle of threat, panic, and reversal is becoming a recognizable pattern. Markets are adapting; investors are learning to “buy the fear” created by these episodes rather than reacting to every headline (see Figure 4).

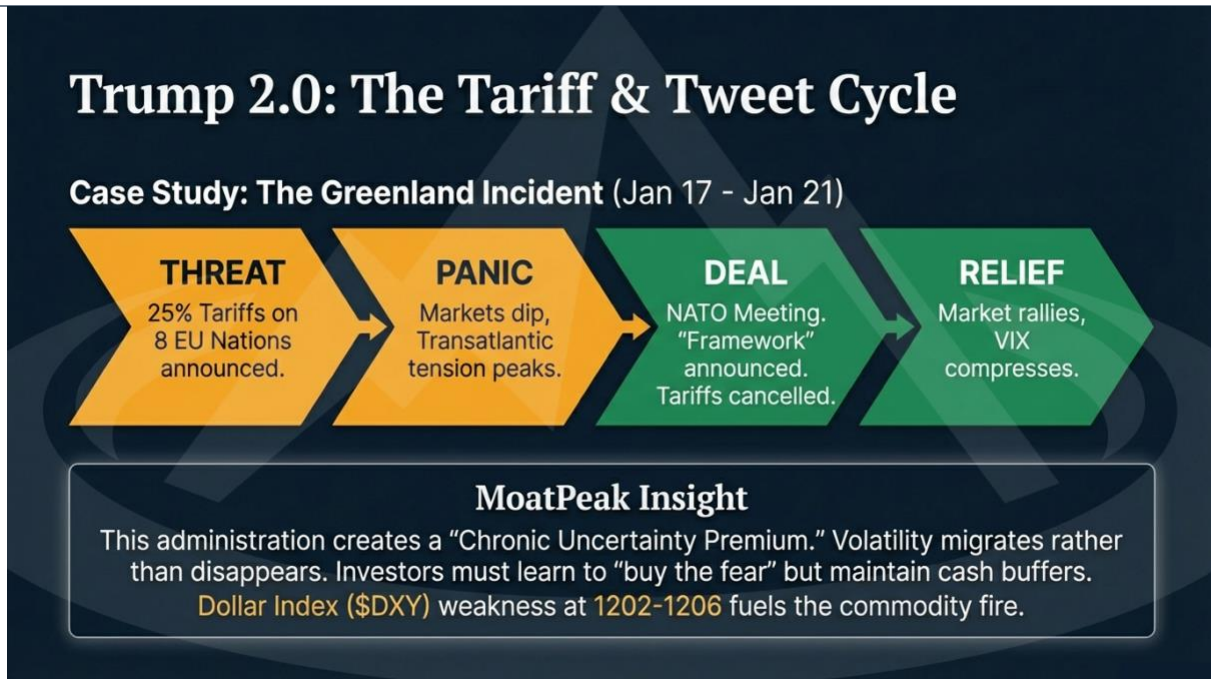


Figure 4. Geopolitical whiplash: the tariff-threat cycle and market response

Key takeaway: A recurring pattern of escalation and reversal is reshaping risk pricing—supporting safe havens while embedding a higher uncertainty premium.

But that doesn't mean these episodes are harmless. This style of policymaking embeds a chronic uncertainty premium into the system. Even when the worst outcomes are avoided, the repeated threats force investors to demand higher returns for taking risk and to hold more cash than they otherwise would.

That chronic uncertainty has created a treacherous macro backdrop, pushing many of us to search for stability not at the macro level but within individual companies. Yet as we saw this week, even there, stability was not guaranteed.

4. Earnings Season Divide: A Tale of Two Tech Titans

Earnings season is where narrative meets numbers. It's the moment when strategy, execution, and market positioning are tested in real time. This week, two reports from marquee technology names showcased just how wide the gap can be between winners and laggards.

The winner: Netflix (\$NFLX)

Netflix delivered a report that, in our view, validated its focus on high-quality content and disciplined monetization. The company modestly beat expectations with EPS of \$0.56 (vs. \$0.55 expected) on \$12.05 billion in revenue. More importantly, it crossed the 325 million subscriber mark and laid out a path to double its advertising revenue to roughly \$3 billion in 2026.

These results sit on top of a strong full-year 2025 performance: revenue grew 16% to \$45.2 billion, and operating margin reached 29.5%. Looking ahead, Netflix is guiding for 2026 revenue of \$50.7–51.7 billion and an operating margin of 31.5%. To us, this is a clear demonstration that even in a crowded and competitive space, a superior product, thoughtful pricing, and a clear roadmap to profitability can still be handsomely rewarded.

The loser: Intel (\$INTC)

On the other end of the spectrum, Intel reminded us how unforgiving the market can be when execution falls short. Despite beating revenue expectations, the company’s outlook overshadowed any near-term positives. Intel guided to a Q1 2026 loss of \$0.21 per share, and the stock fell 13–17% in response (see Figure 5).



Figure 5. Execution matters: Netflix rewarded, Intel punished

Key takeaway: Markets are rewarding durable monetization and operational discipline, while punishing execution slippage and margin erosion.

The underlying issue, in our view, is a chronic execution problem. Ongoing manufacturing challenges have dragged gross margins down to 37.9% and left Intel unable to fully meet demand. In semiconductors, where capacity, yields, and timelines are everything, execution is not just a detail—it is the business. Intel’s struggles have created a meaningful opening for competitors like AMD (AMD), and they serve as a stark reminder that even the strongest strategy is of little value without the ability to deliver.

Supplementary exhibit: DeepSeek and the CapEx question

The slide deck highlights a near-term narrative risk for the AI trade: DeepSeek V4 (launching in February) challenges the “compute is everything” thesis by achieving frontier performance at a fraction of the cost. The strategic risk is that if algorithmic efficiency replaces brute compute, the trillion-dollar CapEx plans of large AI platforms face scrutiny (see Figure 6).

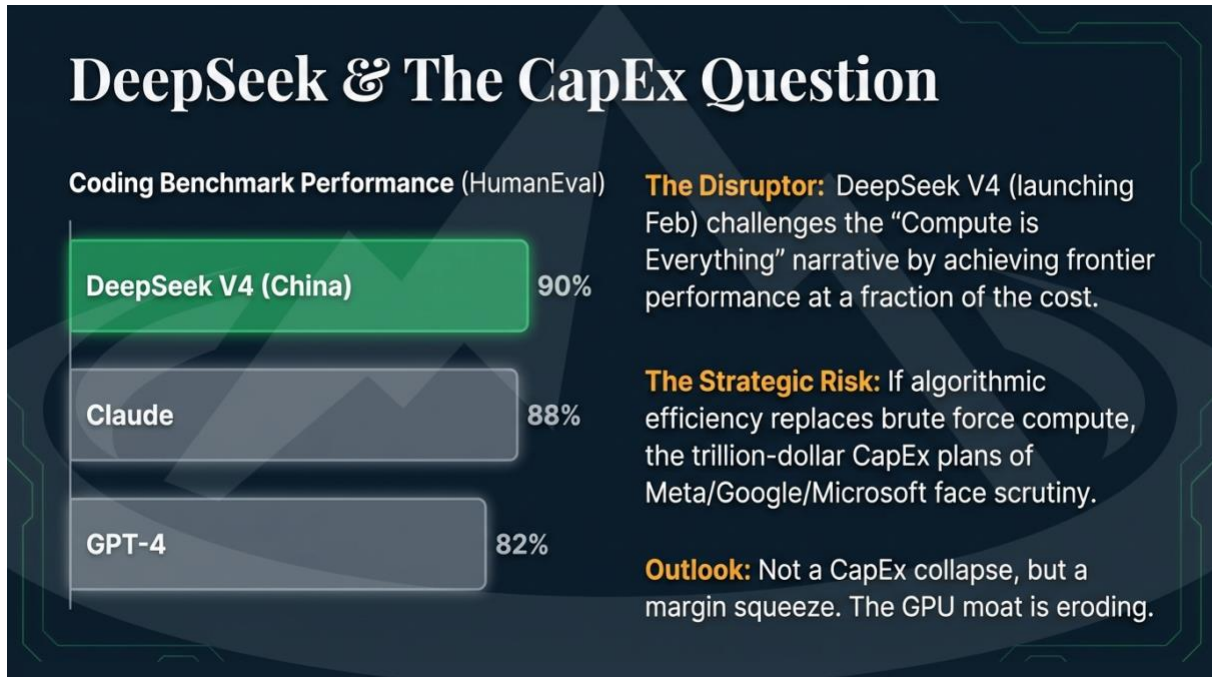


Figure 6. AI efficiency as a disruptive variable in the CapEx narrative

Key takeaway: If efficiency gains substitute for brute-force compute, the AI buildout shifts from a CapEx boom to a margin-squeeze regime for compute-heavy supply chains.

Supplementary exhibit: Crypto capital markets and infrastructure

The deck also points to a distinction the market is making inside crypto: investors are differentiating between “Crypto Price” (volatile) and “Crypto Infrastructure” (potentially investable). BitGo’s listing is presented as the first crypto-native IPO of 2026, priced at \$18 and up roughly 25% despite a ~30% Bitcoin drawdown from peak to around \$76k (see Figure 7).



Figure 7. Crypto infrastructure signals: BitGo’s IPO amid Bitcoin volatility

Key takeaway: Even with BTC volatility, demand for ‘picks-and-shovels’ exposure is emerging—though the deck flags regulatory clarity as unfinished.

5. Under the Hood: A Market Rife with Complacency

To understand real risk, we believe it is essential to look beyond the headline indices and the most commonly watched gauges. On the surface, this week looked calm. The CBOE Volatility Index (\$VIX) traded in a relatively benign 15–20 range, suggesting a market that was relaxed, if not outright complacent.

But when we dug deeper into the volatility complex, we saw a different story. The VVIX—which measures the volatility of the VIX itself—climbed to about 111, a level that sits uncomfortably high next to a subdued VIX. This divergence is a classic warning signal: while current volatility appears low, investors are willing to pay a hefty premium for protection against a future volatility spike (see Figure 8).

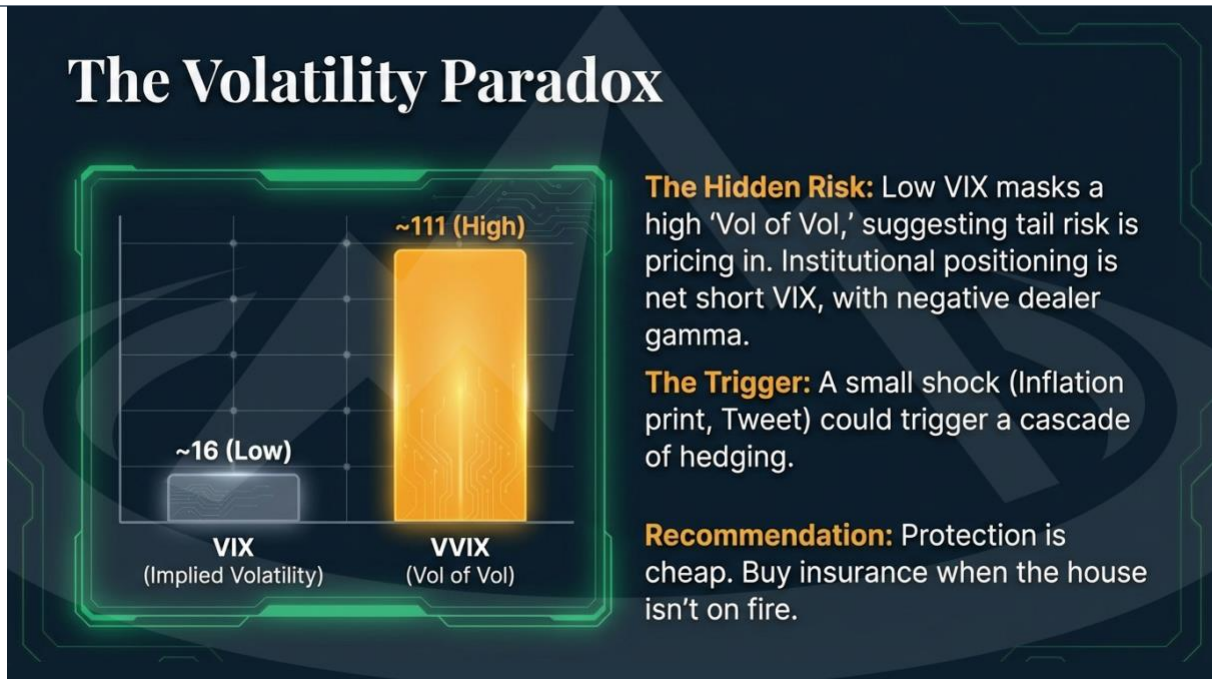


Figure 8. The volatility paradox: low VIX, high VVIX

Key takeaway: A calm VIX alongside elevated VVIX suggests tail risk is being priced under the surface—positioning can amplify shocks when volatility breaks higher.

This configuration is what we think of as a “grey rhino” risk—a highly probable, visible threat that markets choose to discount until it suddenly becomes unavoidable. Historically, a low VIX paired with a high VVIX has often preceded sharp tail-risk events.

The risk is being amplified by positioning. Institutional investors currently hold significant net short VIX positions, and there is a persistent negative dealer gamma imbalance. This setup increases the probability of a cascading sell-off: if a shock hits and volatility jumps, dealers may be forced to buy futures and sell equities to hedge, thereby exaggerating any downward move.

Our read is that the market is underpricing the potential for stress. In this environment, we think it is prudent for investors to consider proactive hedging or higher cash allocations, rather than relying on the calm surface of the VIX as reassurance.

6. Outlook: The Fed’s Long Pause and Three Scenarios for the Road Ahead

The resilience in economic data and market behavior this week has helped solidify expectations ahead of the Federal Reserve’s January 27–28 meeting. As we look at the curve and consensus forecasts, the market now appears firmly aligned behind the idea of a prolonged policy pause.

We see the market fully pricing the Fed to hold its policy rate in the 3.5–3.75% range. The shift in expectations over the past several weeks has been notable: a majority of economists now anticipate

that the Fed will remain on hold through the entire first quarter, with potential rate cuts pushed to June or later. Some, including JPMorgan, have even floated a more hawkish scenario in which we see a rate hike in 2027 (see Figure 9).



Figure 9. Federal Reserve outlook: the 'hawkish pause'

Key takeaway: Policy expectations have shifted toward a long hold; the risk skew remains toward stickier inflation and a higher-for-longer regime.

Against this backdrop, we frame the next 4–6 weeks in terms of three probability-weighted scenarios:

- **Base Scenario (50% Probability):** We see the market continuing its “saw-toothed” grind higher, but with a choppy and uneven advance. Big Tech and AI-related names remain in the leadership seat, while the rotation into small caps continues but at a slower and more selective pace. In this scenario, we expect the \$SPY to oscillate within a 6900–7000 range.
- **Positive Scenario (30% Probability):** The small-cap rotation proves stronger and more durable, supported by solid earnings outside the mega-cap complex and clearer communication from the Fed signaling a definitive June rate cut. Under these conditions, we think the \$SPY could break decisively above 7200.
- **Negative Scenario (20% Probability):** An “inflationary check” emerges, with a surprise uptick in CPI forcing the Fed to double down on its hawkish stance. Earnings expectations are revised lower, and the market undergoes a more pronounced correction, potentially sending the \$SPY down to the 6500–6650 range and pushing the \$VIX toward 25–30.



Figure 10. Scenario set for the next 4–6 weeks

Key takeaway: Our base case is a choppy grind higher; upside needs sustained breadth and clearer Fed easing, while downside is CPI-driven hawkish repricing.

Across all three paths, our central expectation is that 2026 will be characterized by higher internal dispersion. In other words, the gap between winners and losers—across sectors and within them—is likely to widen. In that kind of market, sector and stock selection become not just important, but decisive (see Figure 11).

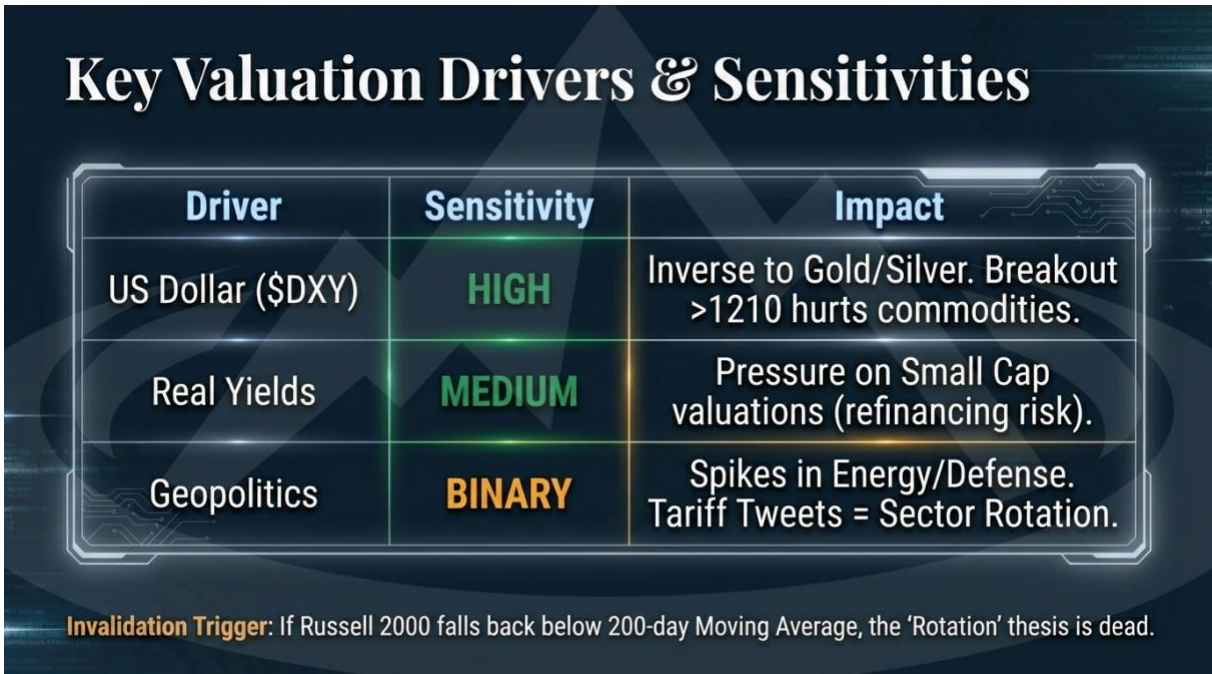


Figure 11. Key valuation drivers and sensitivities

Key takeaway: Dollar moves, real yields, and geopolitics are the highest-leverage variables; we also monitor key technical triggers that would invalidate the rotation thesis.

Portfolio implications: selection, hedges, and liquidity

The Greenland episode reinforces a simple operating rule: investors must learn to “buy the fear” but maintain cash buffers. In practice, the deck’s decision matrix emphasizes (i) quality small caps for diversified domestic exposure, (ii) a core precious-metals position with an expectation of consolidation after a parabolic move, and (iii) explicit hedges via volatility or index protection (see Figure 12).



Figure 12. Decision matrix: preferred exposures, hedges, and watch items

Key takeaway: We favor diversified small-cap cyclicity and a core metals sleeve, while using volatility protection and cash to manage tail risk.

Tactical dashboard: watchlist and key levels

We also track a compact set of levels across equities, commodities, crypto, and volatility to translate the macro regime into actionable risk management (see Figure 13).



Figure 13. Watchlist and levels across major asset proxies

Key takeaway: Defined support/resistance zones help discipline adds, trims, and hedges—particularly as dispersion and headline risk rise.

Conclusion: The Dawn of a Stock-Picker’s Market

As we reflect on the week of January 17–24, we see it as a genuine inflection point. The old market paradigm—dominated by a small cadre of mega-cap names—showed visible cracks. Small-cap companies delivered their strongest relative performance in three decades, while silver’s extraordinary surge laid bare a deep, underlying anxiety about the future path of policy, growth, and currency stability.

In our view, the era of simply and passively “buying every dip” is fading. The market we see taking shape in 2026 will reward a more selective, more thoughtful approach—one grounded in three straightforward principles: understand what you own, manage your risks, and be prepared for corrections.

In a world of hidden volatility, rapid geopolitical shifts, and transformative change in AI and technology, investment success is unlikely to come from blind optimism or index-level exposure alone. We believe it will be built instead through a disciplined focus on fundamental value, rigorous risk management, and a commitment to identifying selective, well-researched opportunities that can endure across cycles (see Figure 14).



Figure 14. The year of selection: dispersion favors disciplined decision-making

Key takeaway: With dispersion rising, passive exposure becomes less reliable; disciplined selection and risk management drive outcomes.

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