

# Federal Reserve FOMC Pauses Rate Decreasing Rate Cycle Speed as Expected, Wall Street Reacts.

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by Francisco Rodríguez-Castro  
[frc@birlingcapital.com](mailto:frc@birlingcapital.com)

The U.S. and European stock markets closed mixed as investors digested the Federal Reserve's January policy decision. Leadership came from consumer-discretionary and energy stocks, while industrials lagged the broader market. The Dow Jones Industrial Average finished 12.19 points higher, as gains were modest and sector leadership remained narrow. The S&P 500 edged up 0.01%, while the Nasdaq Composite advanced 0.17%, supported by continued strength in technology stocks.

In rates, Treasury yields edged higher, with the 10-year Treasury yield closing at 4.26%, reflecting a cautious reassessment of the policy outlook following the Fed's decision and guidance.

In currency markets, the U.S. dollar was modestly weaker against major peers, extending its recent softening trend. Commodities were mixed, with WTI crude oil advancing amid a weaker dollar and weather-related supply disruptions in parts of the U.S.

## **Fed holds steady, emphasizes data dependence amid elevated uncertainty**

The Federal Open Market Committee concluded its January meeting by holding policy steady, noting that available indicators suggest economic activity continues to expand at a solid pace. Job gains have remained subdued, while the unemployment rate is showing early signs of stabilization. Inflation, however, remains somewhat elevated, reinforcing the Fed's cautious posture.

The Committee reaffirmed its dual mandate to achieve maximum employment and return inflation to its 2% objective over the long run, while acknowledging that uncertainty around the economic outlook remains elevated. Policymakers emphasized continued attentiveness to risks on both sides of the mandate.

As expected, the Fed maintained the federal funds target range at 3.5%–3.75%. In assessing the extent and timing of any future policy adjustments, the Committee underscored that decisions will be driven by incoming data, the evolving economic outlook, and the balance of risks. The Fed reiterated its strong commitment to sustaining labor-market stability while ensuring inflation continues its path toward target.

The Committee noted it will continue to closely monitor a broad range of indicators, including labor-market conditions, inflation dynamics and expectations, financial conditions, and global developments. Policymakers emphasized their readiness to adjust the stance of monetary policy if emerging risks threaten progress toward the Fed's objectives.

The policy decision was supported by the majority of voting members. Two dissenting members favored a 25-basis-point rate cut at this meeting, highlighting an emerging internal debate over the appropriate timing of further easing as inflation moderates and labor-market conditions cool.

## **Earnings season accelerates, focus on breadth and durability**

Fourth-quarter earnings season moves into a critical phase today, with several mega-cap technology leaders reporting after the close, followed by another key release on Thursday. Consensus expects S&P 500 earnings to rise roughly 9–10% year over year for the quarter, driven by strong technology sector growth in excess of 25%. Importantly, earnings strength is not narrowly concentrated: forecasts point to higher profits in eight of the index's eleven sectors.

Looking ahead, earnings growth is expected to remain robust through 2026, with estimates calling for approximately 14% growth. With equity valuations elevated relative to long-term averages, sustained earnings delivery—and not multiple expansion—remains the critical pillar supporting further market gains.

### **Europe: earnings volatility drives downside**

European equities finished the session lower as investors digested a mixed slate of corporate results. Semiconductor stocks were volatile after strong orders and guidance from a major chip-equipment supplier, tied to continued AI-driven demand, but early gains faded into the close. Meanwhile, the luxury sector came under pressure after a large conglomerate reported better-than-expected results yet still saw its shares sell off sharply, highlighting how high expectations and valuation sensitivity continue to drive asymmetric reactions this earnings season.

### **Economic Update:**

- **Target Federal Funds Rate Upper Limit:** is unchanged at 3.75%.
- **Japan Consumer Confidence Index:** fell to 37.20, down from 37.50 last month.

### **Eurozone Summary:**

- **Stoxx 600:** closed at 608.51, down 4.60 points or 0.75%.
- **FTSE 100:** closed at 10,154.43, down 53.37 or 0.52%.
- **DAX Index:** closed at 24,822.79, down 71.65 or 0.29%.

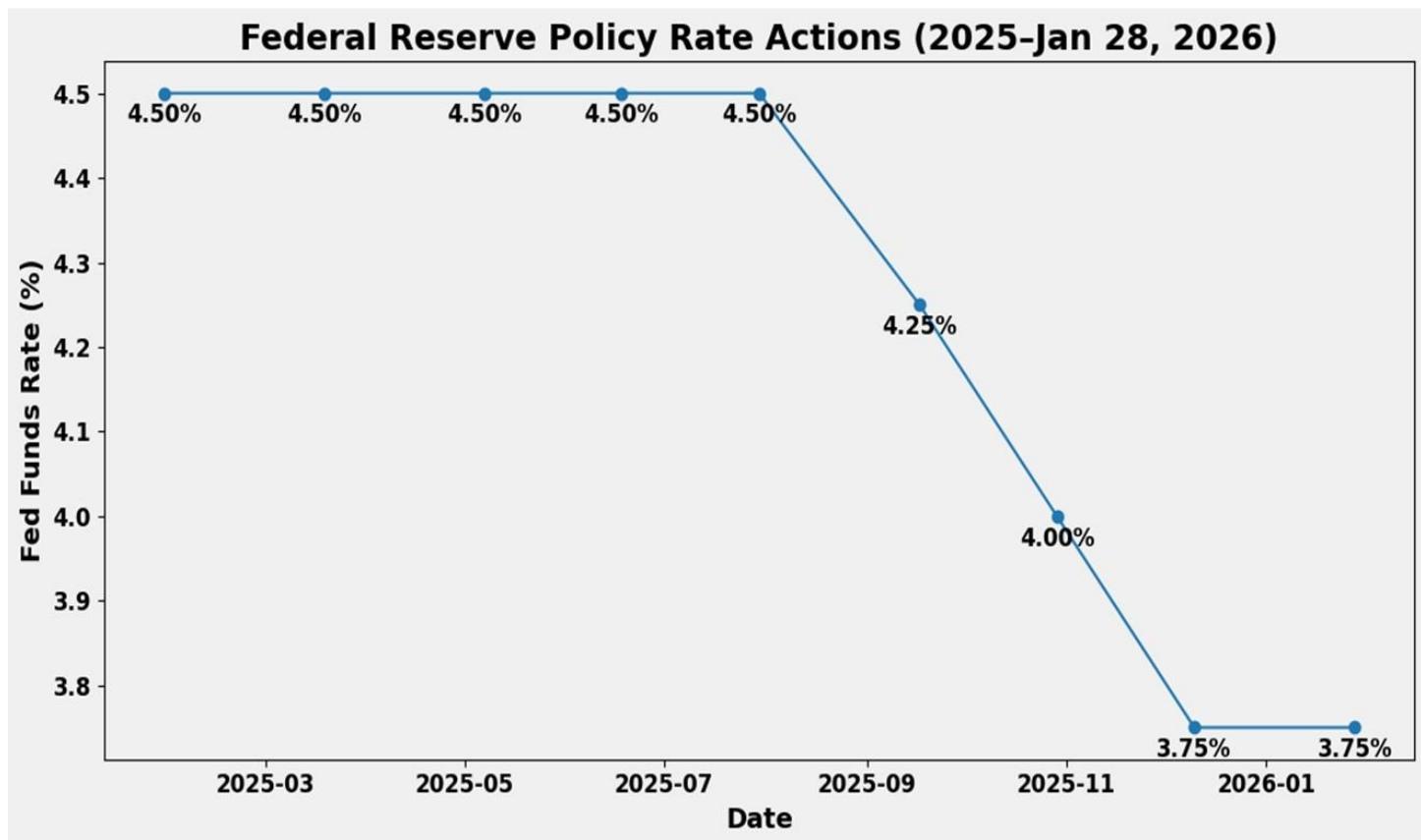
### **Wall Street Summary:**

- **Dow Jones Industrial Average:** closed at 49,015.29, up 12.19 points or 0.02%.
- **S&P 500:** closed at 6,978.04, up 0.56 points or 0.01%.
- **Nasdaq Composite:** closed at 23,857.49, up 40.34 points or 0.17%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,001.24, up 118.17 points, or 3.04%.
- **Birling Capital U.S. Bank Index:** closed at 9,011.26, up 14.09 points or 0.16%.
- **U.S. Treasury 10-year note:** closed at 4.26%.
- **U.S. Treasury 2-year note:** closed at 3.56%.



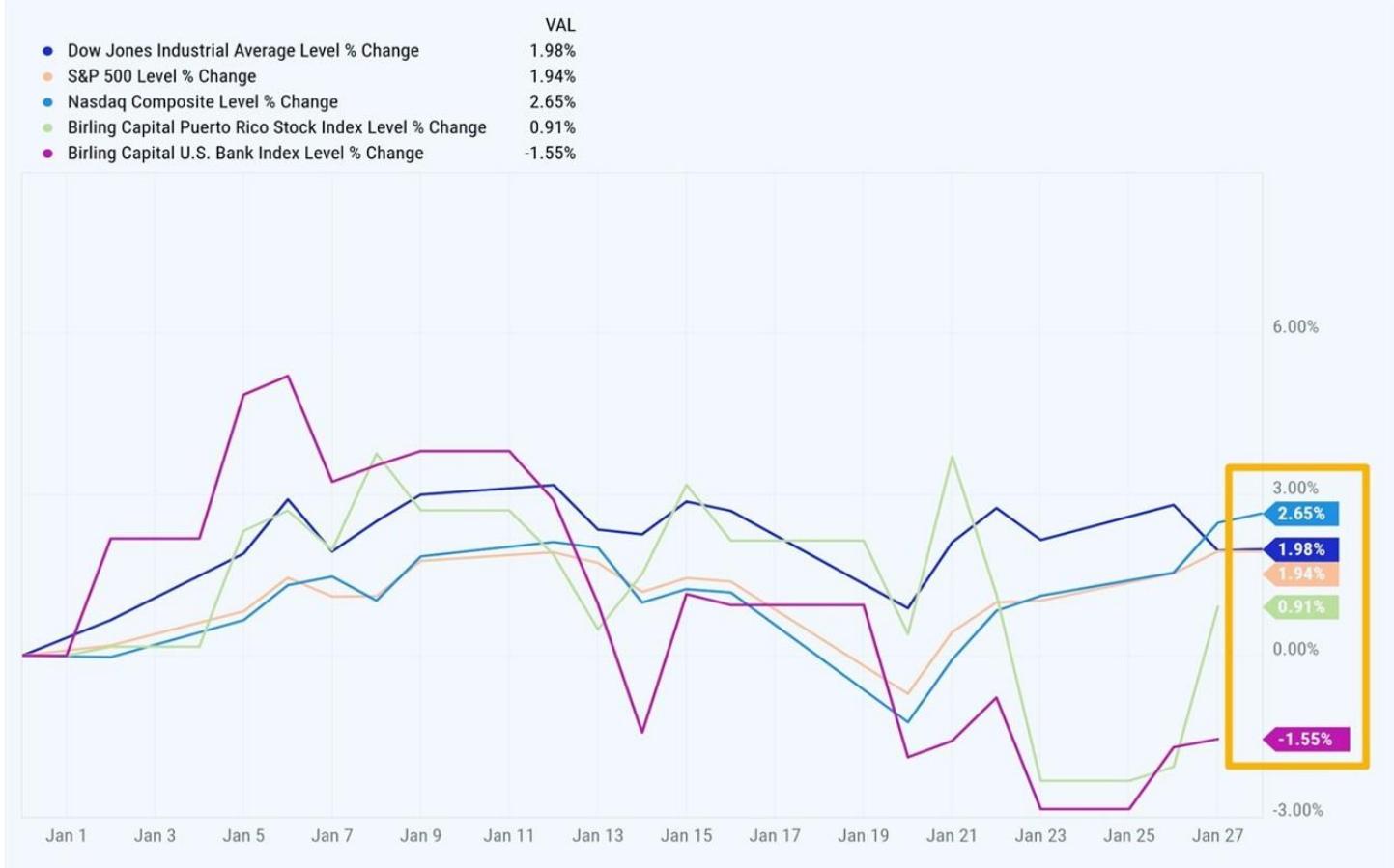
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# Federal Reserve Bank Rate Cycle





## Dow Jones, S&P 500, Nasdaq, Birling Puerto Rico Stock Index & Birling US Bank Index YTD Returns 1/28/26



# Wall Street Recap

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