

ZITAPLUS

WEEKLY BULLETIN

12 — 16 JAN 2026

NO: 23

FED MINUTES SHOW POLICY DIVISIONS UNDER POLITICAL PRESSURE



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TIME	CUR.	EVENT	FORECAST	PREVIOUS
MONDAY, JANUARY 12				
ALL DAY		Coming of Age (Adults') Day	-	-
22:00		10-Year Note Auction	-	4.175%
TUESDAY, JANUARY 13				
17:30		Core CPI (MoM) (Dec)	0.3%	0.2%
17:30		CPI (MoM) (Dec)	0.3%	0.3%
17:30		CPI (YoY) (Dec)	2.7%	2.7%
19:00		New Home Sales (Dec)	715K	800K
22:00		30-Year Bond Auction	-	4.773%
WEDNESDAY, JANUARY 14				
17:30		Core Retail Sales (MoM) (Nov)	0.4%	0.4%
17:30		PPI (MoM) (Nov)	-	0.3%
17:30		Retail Sales (MoM) (Nov)	0.4%	0.0%
19:00		Existing Home Sales (Dec)	4.24M	4.13M
22:00		Crude Oil Inventories	-	-3.832%
THURSDAY, JANUARY 15				
11:00		GDP (MoM) (Nov)	0.0%	-0.1%
17:30		Initial Jobless Claims	210K	208K
17:30		Philadelphia Fed Manufacturing Index (Jan)	-2.9	-8.8
17:45		S&P Global Manufacturing PMI (Jan)	-	52.2
FRIDAY, JANUARY 16				
11:00		German CPI (MoM) (Dec)	0.0%	-0.2%

FED MINUTES SHOW POLICY DIVISIONS UNDER POLITICAL PRESSURE



The latest Federal Reserve meeting minutes point to growing internal debate at the central bank, unfolding as political pressure on monetary policy returns to focus. President Donald Trump has renewed criticism of the Fed, including fresh threats of legal action against Chair Jerome Powell, placing the institution's independence under renewed scrutiny. The timing is sensitive. Markets are closely watching how the Fed navigates a period of easing inflation, mixed growth signals, and rising political noise ahead of key policy decisions.

POLICYMAKERS SPLIT ON THE PATH FORWARD

According to the minutes, most officials supported leaving interest rates unchanged at the latest meeting. This stance reflects a desire to evaluate the delayed effects of earlier policy moves while inflation continues to cool. However, the discussions revealed clear differences in emphasis.

Key themes from the meeting included:

- Some policymakers favored patience to assess whether inflation continues to slow on its own.
- Others warned that easing too early could reverse progress toward the inflation target.
- Several officials stressed the importance of avoiding signals that could loosen financial conditions prematurely.

These divisions suggest the Fed is entering a more complex phase of decision-making, where data trends are improving but risks remain on both sides.

INFLATION RISKS AND CREDIBILITY CONCERN

The minutes also highlighted caution around recent improvements in inflation data. While price pressures linked to tariffs and supply chains have not intensified as feared, officials warned against assuming the trend will persist without setbacks. A number of participants argued that additional rate cuts could prove premature if inflation expectations begin to rise again.

Credibility emerged as a central concern. Policymakers emphasized that reacting to political pressure, or appearing to do so, could undermine trust in the Fed's commitment to price stability.

LOOKING AHEAD

The minutes suggest monetary policy will remain cautious and closely tied to incoming data. Inflation is moderating, but growth risks have not fully faded. At the same time, renewed political scrutiny adds uncertainty to the policy landscape, increasing the stakes for how future decisions are communicated to markets.



EURUSD

DOLLAR WEAKENS AS FED INDEPENDENCE FEARS RISE

The U.S. dollar softened on Monday following news that the Justice Department subpoenaed Fed Chair Powell. Markets viewed the move as political interference in interest rate policy, weighing on the dollar while supporting the euro. After hitting a low of 1.1618 on Friday, EURUSD recovered toward 1.1682.

Key Levels

- 1.1710 and 1.1735, if current downward trendline is broken.



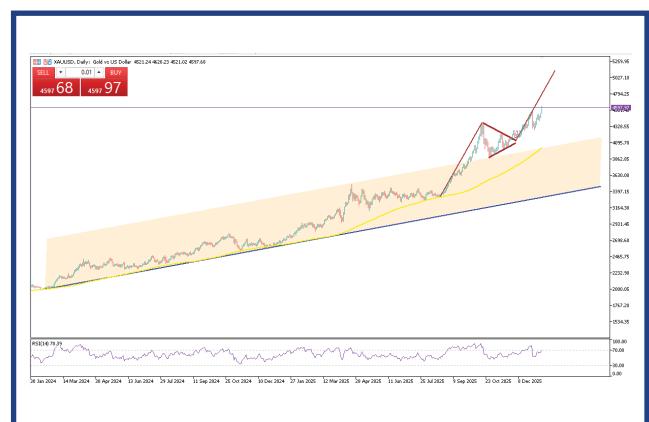
XAUUSD

GOLD REPRICES RISK AT RECORD LEVELS

Gold reached fresh record highs near \$4,620, supported by safe-haven demand as concerns over Federal Reserve independence and rising political risk intensified, particularly with ongoing unrest in Iran. Pressure on the Fed has added uncertainty around inflation expectations and the outlook for U.S. bond credibility.

Key Levels

- Above \$4,620, the next resistance zone is \$4,670-\$4,675.



BRENT OIL

OIL PRICES RALLY ON IRAN AND VENEZUELA SUPPLY RISKS

Oil prices are staying high as unrest in Iran keeps the risk of supply cuts in focus. This has led to heavy buying and forced traders to close out "short" bets. At the same time, long-term supply is uncertain because U.S. oil companies are hesitant to invest in Venezuela.

Brent crude has jumped nearly 6% in two days, reaching almost \$64 and raising concerns about new inflation.

Key Levels

- **Resistance:** \$65.60, then \$70



BTCSUD

BEARISH PRESSURE DRAGS BITCOIN BELOW \$91,000

Bitcoin is trading below \$91,000, struggling to reclaim and hold above the 50-day EMA near \$91,548. Institutional demand has softened as U.S. spot BTC ETFs continue to see outflows, while derivatives positioning shows a clear bearish tilt with elevated short interest.

Key Levels

- **Support:** \$70,000-\$75,000 if downside momentum accelerates.



THE RIAL'S SLIDE EXPOSES IRAN'S ECONOMIC STRAIN



Iran is getting closer to a critical economic breaking point as its currency continues to lose value at a rapid pace. Official narratives have struggled to contain the reality on the ground: inflation is rising, purchasing power is shrinking, and frustration is spreading, especially in major cities.

The scale of the decline stands out when set against the past. After a period of relative stability in the mid-2010s, the exchange rate has surged sharply, reflecting years of sanctions, policy missteps, and eroding confidence. For a population nearing 90 million, this loss of monetary stability translates directly into higher prices, tighter household budgets, and growing insecurity.

LEADERSHIP UNDER PRESSURE

Political developments have added another layer of conflict. The recent resignation of the central bank governor, following sustained criticism over the handling of the currency, points to mounting stress within the leadership. While officials described the change as routine, it shows how limited policy options have become under sanctions and structural constraints. So far, shifts at the top have done little to calm markets or slow the rial's slide.

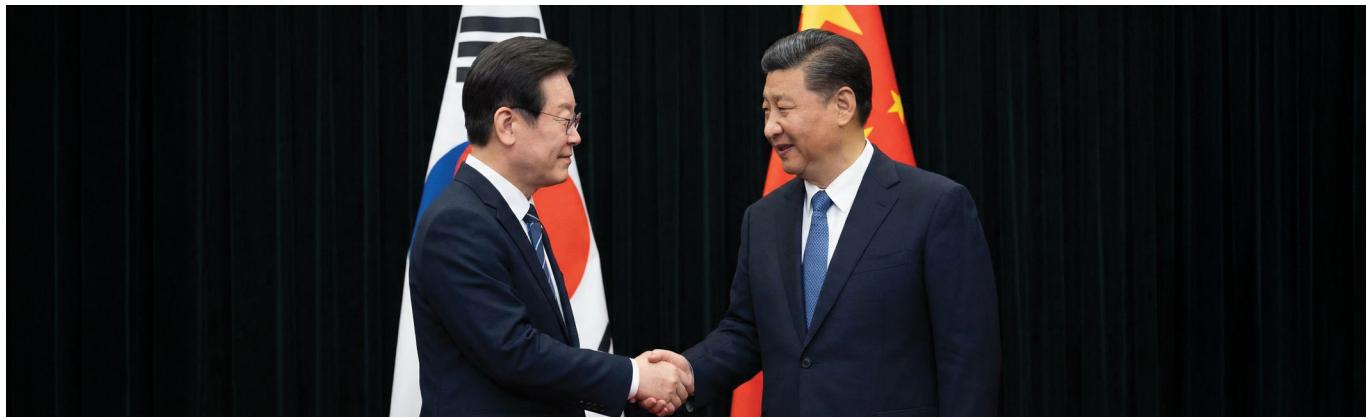
ECONOMIC PAIN MOVES INTO THE STREETS

Signs of public unrest are becoming harder to dismiss as protests around traditional commercial districts suggest that economic pressures are no longer contained within balance sheets. History offers clear parallels: prolonged inflation, supply disruptions, and falling real incomes have often preceded broader social tension. With wages failing to keep pace with price increases, households are absorbing the strain.

MORE THAN A SHORT-TERM SHOCK

The currency crisis now looks increasingly structural rather than temporary. Without credible reforms or relief from external pressures, the risk of deeper economic disruption remains high. As financial stress builds and public tolerance thins, the trajectory of the rial is becoming central to the country's economic and political outlook, with implications extending beyond its borders.

SOUTH KOREA'S LEE PUSHES DIPLOMATIC LIMITS IN CHINA TALKS



South Korean President Lee Jae-Myung has launched a carefully calibrated diplomatic outreach to China, aiming to reset bilateral ties at a sensitive moment for regional security. President Lee is making his first official trip to Beijing since taking office. This visit arrives as Northeast Asia faces new challenges, including North Korean missile tests and growing instability regarding Taiwan. The trip reflects Seoul's effort to deepen cooperation with its largest trading partner while maintaining its alliance commitments elsewhere.

RESETTING A STRAINED RELATIONSHIP

In meetings with Xi Jinping, Lee signaled a desire to move past years of friction and restore what he described as a "strategic cooperative partnership." Both sides emphasized stability and predictability, and agreed to expand engagement across multiple fronts. Officials announced several memoranda of understanding focused on:

- **Trade and investment facilitation**
- **Technology cooperation**
- **Cultural and people-to-people exchanges**

The agreements aim to rebuild confidence and create momentum for longer-term cooperation, particularly as supply chains and regional growth face headwinds.

SECURITY CONCERNSTAKE CENTER STAGE

Despite a positive tone, major security issues persist. Lee urged China to use its influence to push North Korea back to negotiations, highlighting Beijing's critical role in managing Pyongyang. While Xi acknowledged the importance of stability on the Korean Peninsula, he urged patience, which draws attention to the limits of Beijing's leverage and the complexity of regional dynamics.

STRATEGIC BALANCING ACT

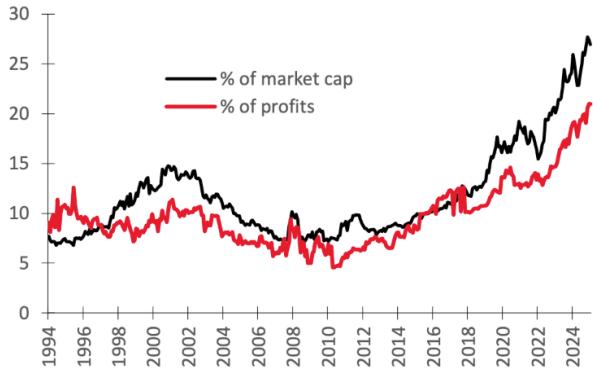
China's interest in closer ties with Seoul is shaped by broader strategic pressures, including competition with the United States and strained relations with Japan. For South Korea, however, the outreach requires careful balance. Seoul remains firmly anchored to its security alliance, even as it seeks to broaden economic cooperation with Beijing. Analysts note that this dual-track approach leaves little room for missteps.

WHAT COMES NEXT

Lee's visit, which included a large business delegation, signals intent to deliver practical outcomes beyond symbolism. Whether the reset produces durable gains will depend on progress in trade, technology, and crisis management, and on Seoul's ability to navigate competing regional interests without triggering new frictions. For now, the diplomatic opening marks a cautious step toward engagement, with results likely to unfold over time.

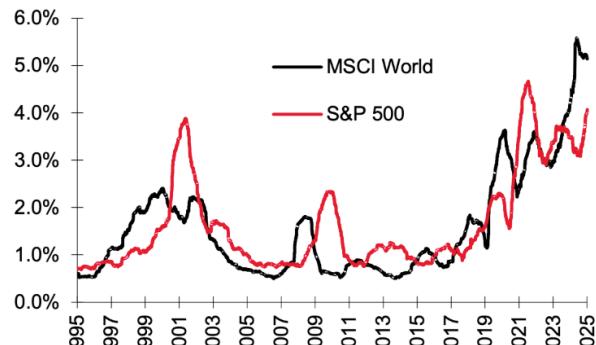
WHY MARKET WEIGHT ISN'T MARKET POWER

The top 10 stocks represent a record amount of MSCI World profits and market capitalisation



Source: SG Cross Asset Research/ Quant, Factset

Not holding the top 10 stocks in the S&P 500 or MSCI World leads to a very high tracking error



Source: SG Cross Asset Research/Equity Quant

Recently, equity markets have revealed an unsettling truth: size and performance do not always align. While the largest U.S. stocks still carry the most weight in global benchmarks, returns in 2025 followed a different path. Equity markets outside the United States delivered stronger performance, favoring investors who looked beyond the most crowded trades. Market size alone proved to be a poor guide to actual gains.

WHEN SCALE BECOMES A WEAKNESS

Today's indices are increasingly driven by a small group of mega-cap companies. They command a large share of global market value and an even greater portion of profits. While that dominance can feel reassuring, it comes with a trade-off. Heavy concentration limits diversification and makes portfolios more exposed to the performance of just a handful of stocks, where even a small earnings miss can echo across the wider market.

THE BENCHMARK TRAP

Stepping away from these giants is easier said than done. Most portfolios are measured against benchmarks where U.S. mega-caps hold substantial weight. Cutting exposure can create tracking error, a risk that carries both professional and psychological pressure. Even investors skeptical about stretched valuations often stay invested, aware that falling behind the benchmark can be as damaging as taking excess risk.

PRICED FOR PERFECTION

Many of the market's largest stocks appear priced for near-flawless execution. Their scale, margins, and strategic reach are undeniable, but elevated expectations leave little room for surprise. History shows that extreme concentration rarely lasts forever. These phases are often followed by periods where leadership broadens, and returns spread more evenly across regions and sectors.

FINDING THE MIDDLE GROUND

The challenge now is finding balance. Rather than fully committing to or abandoning the biggest names, a more resilient approach may lie in selective exposure, broader geographic allocation, and disciplined risk management. Managing the pull between dominance and diversification is likely to define investment outcomes in the years ahead.

US MANUFACTURING STAYS IN CONTRACTION

MANUFACTURING AT A GLANCE						
December 2025						
Index	Series Index Dec	Series Index Nov	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
Manufacturing PMI®	47.9	48.2	-0.3	Contracting	Faster	10
New Orders	47.7	47.4	+0.3	Contracting	Slower	4
Production	51.0	51.4	-0.4	Growing	Slower	2
Employment	44.9	44.0	+0.9	Contracting	Slower	11
Supplier Deliveries	50.8	49.3	+1.5	Slowing	From Faster	1
Inventories	45.2	48.9	-3.7	Contracting	Faster	8
Customers' Inventories	43.3	44.7	-1.4	Too Low	Faster	15
Prices	58.5	58.5	0.0	Increasing	Same	15
Backlog of Orders	45.8	44.0	+1.8	Contracting	Slower	39
New Export Orders	46.8	46.2	+0.6	Contracting	Slower	10
Imports	44.6	48.9	-4.3	Contracting	Faster	9
OVERALL ECONOMY		Growing	Slower	68		
Manufacturing Sector		Contracting	Faster	10		

US manufacturing activity continues to struggle, with new data showing that a long-anticipated recovery has yet to take shape. The latest ISM manufacturing index fell to its lowest level in more than a year, confirming that factory activity remains firmly in contraction as the economy moves further into the new year.

The data underline a sector that has failed to regain momentum despite repeated expectations of a rebound. Output remains weak, demand is soft, and confidence across the industrial landscape continues to erode.

PERSISTENT WEAKNESS ACROSS KEY INDICATORS

December marked yet another month in which manufacturing activity stayed below the expansion threshold. This prolonged downturn highlights how deeply rooted the slowdown has become. While a small number of subcomponents showed minor improvement, the overall trend remains negative.

Key areas of concern include:

- **Production**, which declined further, reflecting reduced factory output
- **New orders**, which remained in contraction, point to weak demand ahead
- **Supplier deliveries**, which showed limited improvement but offered little relief overall

These readings suggest that manufacturers are still struggling to generate enough activity to support a sustained recovery.

EMPLOYMENT AND COST PRESSURES ADD STRAIN

Labor market conditions within manufacturing remain fragile. Hiring indicators continue to lag as companies stay cautious, responding to subdued demand and uncertain economic conditions. This stands in contrast to repeated political pledges to revive domestic manufacturing and restore industrial jobs, which have yet to show clear results in the data.

At the same time, cost pressures are re-emerging. Input prices edged higher, raising concerns that inflation risks could resurface even as growth remains weak. This mix of slowing activity and rising costs complicates the outlook and limits room for policy support.

OUTLOOK REMAINS CAUTIOUS

The continued weakness in manufacturing reflects broader challenges facing the US economy, including high living costs, uncertain policy direction, and uneven demand. Without a clear improvement in orders and output, the sector is likely to remain a drag on growth rather than a source of support in the months ahead.

Market Roundup

WORLD GROWTH FORECAST SIGNALS EXPANSION

Global economic momentum is expected to stay below historical norms. The United Nations projects world growth at 2.7% in 2026, improving only slightly to 2.9% in 2027. Persistent trade frictions, higher tariffs, and policy uncertainty continue to weigh on activity. Global trade growth is forecast to slow to 2.2% in 2026, while elevated prices and rising debt levels pose ongoing risks, especially for emerging markets.



REGIONAL GROWTH PROJECTIONS

The UN sees uneven performance across major economies in 2026. US growth is projected at 2%, the EU at 1.3%, and China at 4.6%. Turkey stands out, with growth expected at 3.9% in 2026 and 4.1% in 2027. Despite tight monetary conditions, domestic demand in Turkey remains firm, and inflation is likely to stay in double digits through 2026, even as disinflation gradually progresses.



US ECONOMY AND FED EXPECTATIONS

Fitch Ratings has revised its 2026 US growth forecast up to 2%, pointing to stronger momentum following the release of delayed economic data. Growth in 2025 is estimated at 2.1%, supported by resilient consumer spending, public outlays, and net trade. While private investment remains soft, IT-related investment rose 14% year on year, providing a meaningful lift. Fitch expects US inflation to average 3.2% in 2026, with unemployment at 4.6%, and sees scope for two Fed rate cuts in the first half of 2026, potentially lowering the policy rate ceiling to 3.25%.



GEOPOLITICAL DEVELOPMENTS IN FOCUS

Venezuela returned to the geopolitical spotlight as the US Senate advanced a War Powers Resolution aimed at restricting President Trump's authority to deploy military force there. The measure passed with bipartisan backing, though its path forward is uncertain, with limited prospects in the House and a likely presidential veto.



Market Roundup

NVIDIA ADVANCES PHYSICAL AI

CEO Jensen Huang said competition is shifting toward systems that operate in real-world settings. New platforms, including Nemotron, Cosmos, Isaac GR00T, and Clara, target autonomous driving, robotics, and biomedical research. Partners such as Boston Dynamics and LG Electronics showcased robots built on Nvidia's technology, while Nvidia confirmed its DRIVE AV software will be used in the new Mercedes-Benz CLA on US roads.



US SHUTDOWN RISKS RE-EMERGE

In Washington, concerns are rising ahead of the January 30 budget deadline. After a record 43-day shutdown earlier this year, talks remain stalled over extending health insurance subsidies affecting about 22 million Americans. Failure to reach a deal could lead to federal worker furloughs and service disruptions, with negotiations complicated by public debt above \$38 trillion and a large 2025 deficit.



FED RESEARCH WARNS ON TARIFFS

Research from the San Francisco Fed suggests the sharp tariff hikes introduced in 2025 could weigh on growth by raising uncertainty and dampening demand. Historical evidence shows large tariff shocks tend to lift unemployment while easing inflation, with policymakers noting uncertainty alone can curb spending.



VENEZUELA BONDS RALLY

Venezuela's defaulted bonds surged after the US captured President Nicolás Maduro. Government bonds jumped up to 24% in one session, with PDVSA notes also rallying. Investors are betting political change could accelerate debt restructuring, though uncertainty keeps some funds cautious.



The Week Ahead

AMERICAS

The U.S. earnings season kicks off with major bank reports, providing critical data on credit conditions and corporate health. Key macro attention focuses on the December CPI report, with both headline and core inflation expected to rise 0.3% month-on-month (annual rate ~2.7%). Upcoming reports on producer prices, retail sales, and industrial output will help clarify economic momentum. These figures, along with housing and trade data plus updates from Canada and Brazil, will play a major role in shaping Federal Reserve interest rate expectations.

EUROPE

The United Kingdom takes center stage with monthly GDP, manufacturing, and trade data. The UK economy likely stalled in November after two months of 0.1% contractions. Germany will release its 2025 GDP outlook (projected 0.2% growth) and industrial production figures. The National Bank of Poland is expected to hold its benchmark rate at 4%. Other notable data include Euro Area trade balances, Swiss consumer confidence, and Russian inflation.

ASIA

China will release December trade data, with exports and imports projected to grow 2.9% and 0.8%, respectively, for a \$113.5 billion surplus. New RMB loans are forecast at CNY 800 billion, though outstanding loan growth may slow to 6.3%. Total social financing is projected to rise by CNY 2 trillion, reflecting weak credit demand. In Japan, producer prices (expected at 2.4%) and a widening current account balance (JPY 3.6 trillion) are in focus. India anticipates consumer inflation rising to 1.5% and a wholesale price rebound of 0.3%. South Korea's central bank is expected to hold its policy rate at 2.5%, while Malaysia will publish preliminary Q4 GDP. Australia will report on inflation expectations and household spending.





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