



MACROMATRIX



# Macro Realignment

Concentrated U.S. Strength,  
Japan's Strategic Pivot, and  
Geopolitical Risk Redefining  
Capital Allocation



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Policy divergence, concentrated economic strength, and geopolitical risk are driving a disciplined repricing across equities, fixed income, FX, and commodities.

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# Executive Overview

*U.S. economic data shows resilience with limited breadth: 130,000 in payroll gains in January 2026, contrast with retail sales coming in flat at USD 735 billion in December 2025, signaling uneven domestic momentum. Japan's political mandate, yen near ¥153 per U.S. dollar, Brent at USD 71.19 per barrel, and U.S. 10-year Treasury yields around 4.10% underscore a global regime driven by policy divergence and geopolitical risk.*

January 2026 data reflected a global macro environment defined by sectoral divergence, policy recalibration, and elevated geopolitical sensitivity. The U.S. labor market exceeded expectations with 130,000 nonfarm payroll additions almost double the consensus figure of 70,000, while unemployment declined to 4.3%; however, 82,000 of those jobs were concentrated in healthcare, underscoring narrow employment breadth amid downward revisions that cut 2025 job growth from 584,000 to 181,000, the job market's weakest annual performance in decades (not including recessionary years).

Simultaneously, U.S. consumer momentum softened, with December retail sales flat at USD 735.0 billion month-over-month, missing forecasts and posting just 2.4% year-over-year growth, signaling constrained discretionary demand and implications for GDP, earnings, and Federal Reserve policy. The tough anti-immigration policy adopted by the current Administration was largely to blame for lower consumption and employment.

Globally, Japan's ruling coalition secured 316 of 465 seats, enabling fiscal and industrial policy acceleration, while the yen traded near ¥153 per U.S. dollar and rising JGB yields reshaped carry trade dynamics and U.S.-Japan capital flows.

Meanwhile, escalating U.S.-Iran tensions pushed Brent crude to USD 71.19 per barrel, China's exports exceeded USD 320 billion in January, and U.S. 10-year Treasury yields hovered near 4.10%, reinforcing a synchronized macro regime where geopolitics, trade realignment, and interest rate differentials are directly influencing inflation expectations, FX markets, cross-asset volatility, and global capital allocation strategies.

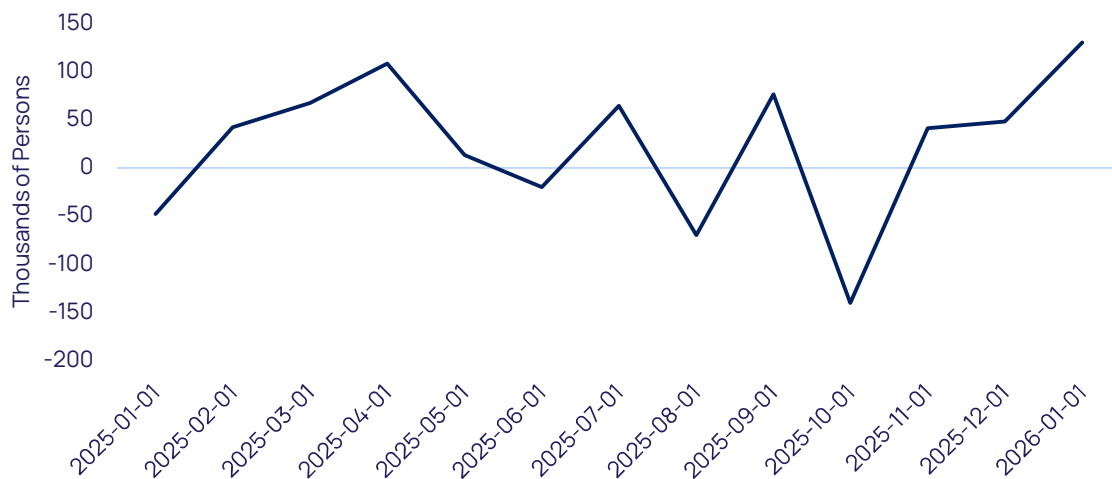
# U.S. January 2026 Jobs: Strong Gains, Narrow Breadth

U.S. payrolls rose 130,000 with unemployment at 4.3%, but gains remain concentrated in healthcare.

The U.S. labor market delivered a stronger-than-expected performance in January 2026, with nonfarm payrolls rising by 130,000 jobs, significantly exceeding consensus forecasts of 70,000 jobs, while the unemployment rate edged down to 4.3% from 4.4% in December, underscoring a gradual stabilization in employment conditions after a notably weak 2025.

January's payroll expansion was primarily driven by gains in healthcare (+82,000), social assistance (+42,000), and construction (+33,000), accounting for the majority of net job creation, while sectors such as federal government (-34,000) and financial activities (-22,000) posted outright declines, highlighting an uneven industry profile that could constrain broad-based momentum.

Figure 1: U.S. Nonfarm Payrolls



Source: U.S. BUREAU OF LABOR STATISTICS

Despite surface strength, underlying annual revisions drastically reduced 2025's job growth from 584,000 to just 181,000, signifying persistent labor market softness outside core demand segments and implying that sustained sectoral drivers like healthcare remain critical to supporting aggregate employment

Besides, there were fears of downward revisions to January's data, leading to market caution. The slight fall in unemployment coupled with concentrated sectoral job creation suggests a resilient but narrowly based recovery, with important implications for U.S. monetary policy expectations, wage growth dynamics, and sector-specific investment flows heading into 2026.

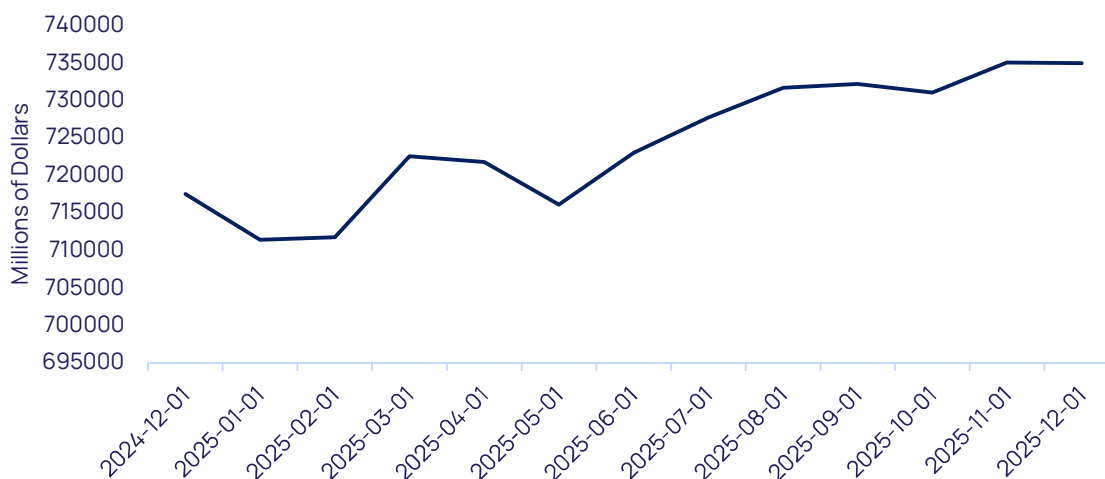
# U.S. December 2025 Retail Sales: Stalled Holiday Momentum

## December retail sales were flat at \$735 billion, missing expectations

U.S. retail and food services sales in December 2025 recorded USD 735.0 billion, remaining unchanged month-over-month, well below the 0.4% consensus forecast, despite seasonal holiday expectations, highlighting subdued consumer spending behavior at the close of the year.

Retail sales on a year-over-year basis grew only 2.4%, signaling a deceleration compared with prior months and marking a softer end to the traditionally strongest quarter for consumption. The flat headline performance persisted even after excluding volatile segments such as automobiles and gasoline, with core retail metrics effectively stagnant, underscoring limited broad-based demand.

**Figure 2: Advance Retail Sales: Retail Trade and Food Services**



Source: Federal Reserve Economic Data

While certain categories like non-store retailers, food services, health, and personal care posted positive annual trends, declines in discretionary sectors including furniture, electronics, and clothing neutralized upside.

These dynamics suggest U.S. consumer sentiment is strained by inflationary pressures, credit costs, an anti-immigration policy, and possible tariff-induced shifts in buying patterns, impacting the consumer-driven portion of GDP and raising important considerations for U.S. monetary policy, retail earnings forecasts, and investment strategies in the consumer discretionary and staples sectors heading into 2026.

# Japan Election 2026: Strong Mandate, Global Market Impact

**Japan's supermajority strengthens fiscal policy, while yen and JGB shifts reshape carry trades and capital flows.**

Japan's February 2026 general election delivered a historic outcome with the ruling Liberal Democratic Party (LDP) securing a post-war record supermajority of 316 out of 465 seats, providing Prime Minister Sanae Takaichi unprecedented legislative authority to pursue fiscal and economic policy. This supermajority removes traditional gridlock and enables swift implementation of structural initiatives

Concurrently, shifts in bond markets with rising Japanese Government Bond yields underscore evolving monetary dynamics and rate expectations, which will be critical for global yield curves and cross-border capital flows. The yen's behavior post-election has key implications for carry trades, traditionally reliant on Japan's ultra-low rates; any shift toward tighter policy or fiscal expansion could compress the interest rate differential with U.S.

including targeted investment in infrastructure, AI, semiconductors, and defense, alongside potential tax reforms, reshaping Japan's long-term investment landscape. The political victory has already triggered notable FX market reactions: the Japanese yen strengthened to approximately ¥153 per U.S. dollar following profit-taking after early post-election weakness, reflecting investor recalibration of policy expectations and intervention risk.

Treasuries and dampen yen funding trades. Moreover, Japan's strengthened policy coherence is likely to deepen U.S.-Japan economic collaboration across technology, supply chain security, and defense, while also influencing global export competitiveness through currency moves that affect Japanese industrial sectors in international markets. Investors and portfolio strategists should closely monitor BOJ policy adjustments, yield spreads, and USD/JPY dynamics as leading indicators of evolving macro risk and opportunity in 2026.

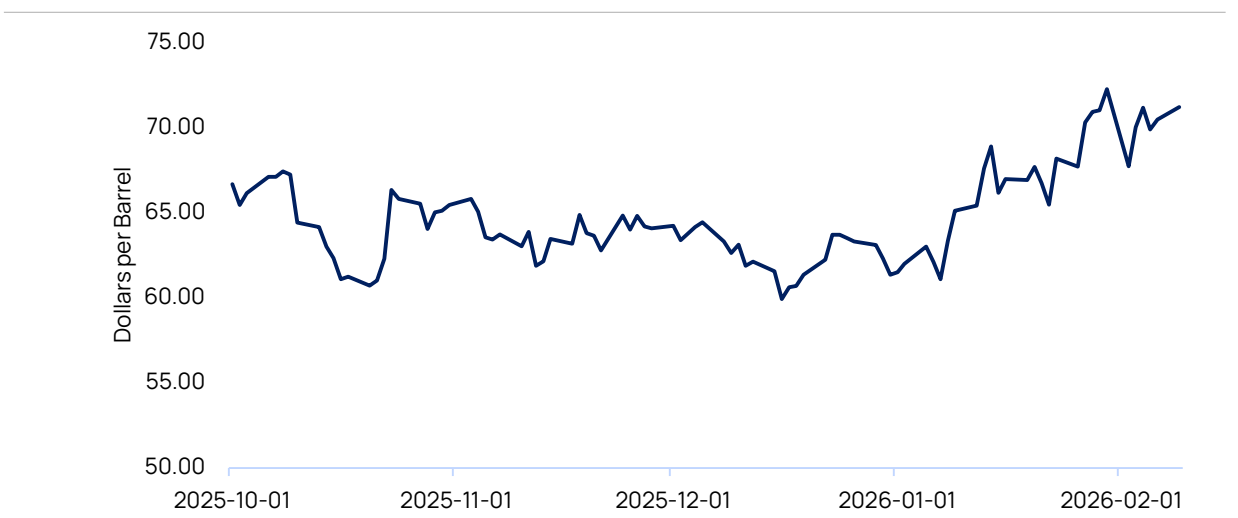
# U.S.-Iran Tensions, Trade & Cross-Asset Volatility

Geopolitical tensions, oil above USD 70 per barrel, and U.S. yield volatility are reshaping global inflation and capital flows.

Escalating U.S.-Iran tensions have reintroduced geopolitical risk premia into global energy and currency markets, with Brent crude trading at USD 71.19 per barrel on 12 February 2026, reflecting supply-disruption sensitivity across Middle East shipping corridors that account for roughly one-fifth of global oil flows.

Heightened rhetoric and expanded U.S. sanctions enforcement have increased volatility across oil futures, defense equities, and safe-haven assets, reinforcing the linkage between geopolitics and inflation expectations.

Figure 3: Brent Crude Oil



Source: Federal Reserve Economic Data

Concurrently, global trade recalibration continues as the U.S. advances strategic supply-chain agreements across semiconductors and critical minerals, while China's latest export data showed exports totaling over USD 320 billion in January, underscoring persistent global trade interdependence despite tariff frictions. In parallel, the U.S. Treasuries market saw the 10-year yield fluctuate near the 4.10% level, reflecting repricing of inflation and rate expectations following strong labor data.

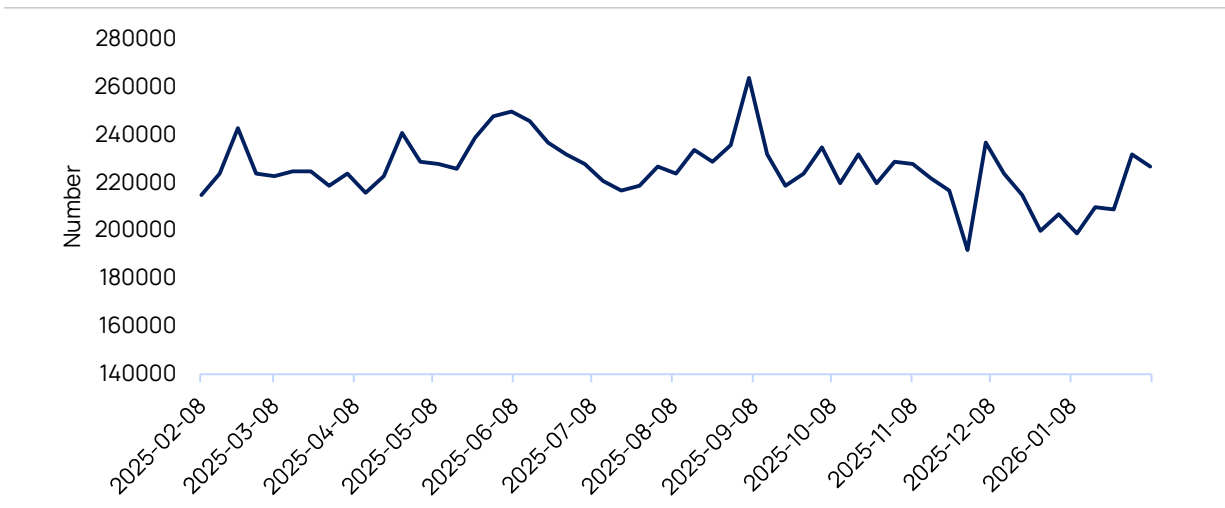
These synchronized developments across energy, trade, and sovereign yields highlight a macro environment defined by geopolitical risk, policy divergence, and capital flow sensitivity across FX, commodities, and global equities.

# Initial Claims & Weekly Economic Index

**Strong growth momentum with low layoff stress signals a resilient macro backdrop.**

Initial jobless claims stand at 227,000, remaining historically low and signaling limited layoff pressure across the labor market.

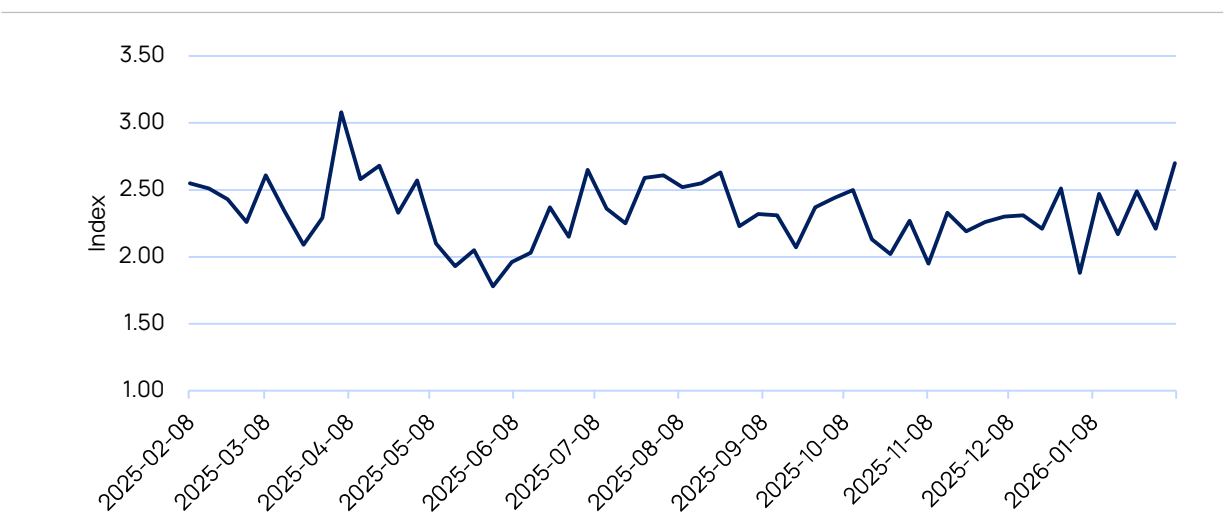
**Figure 4: Initial Claims**



Source: Federal Reserve Economic Data

WEI has rebounded to 2.70, recovering from early-January softness and signaling renewed momentum in real-time economic activity. Growth remains positive but volatile, indicating resilience with intermittent slowdowns rather than a decisive acceleration trend.

**Figure 5: Weekly Economic Index**



Source: Federal Reserve Economic Data

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