

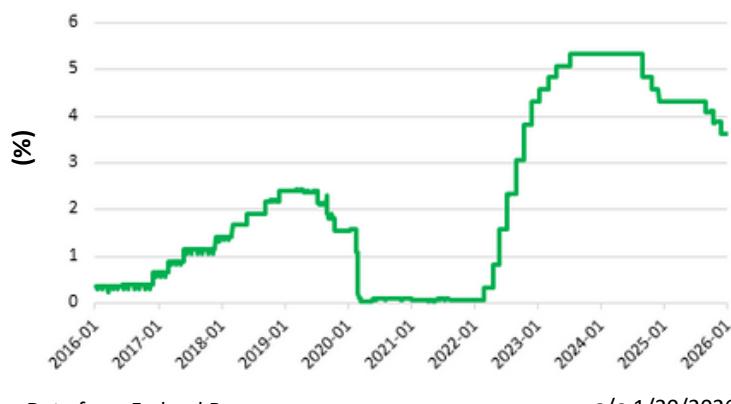
## The Fed Cut Rates in December, With No Cuts Priced in For January US and EU Tensions Over Greenland Continue

Commentary by the Macro Team

### Fed Funds Rate

As of December 10, 2025, the Federal Reserve cut the Fed Funds rate down to 3.5% - 3.75%. As you may recall from a previous Macro report, the Fed Funds rate is the rate at which banks borrow from each other overnight, also setting the benchmark for interest rates ranging from credit cards to home mortgages.

#### Federal Funds Rate (10Y)

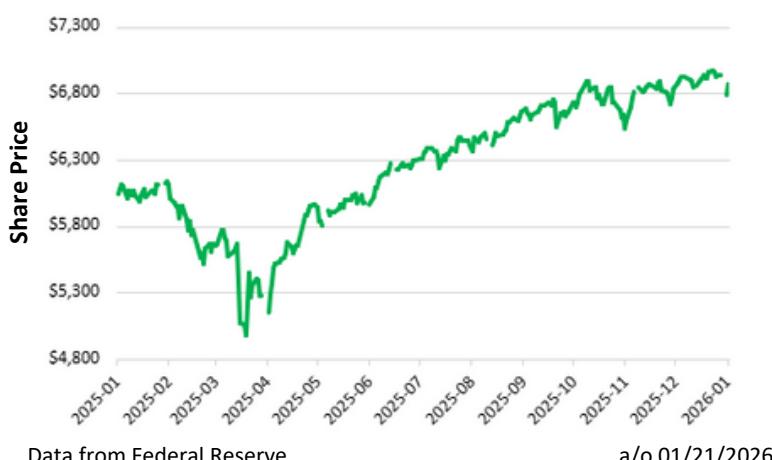


Data from Federal Reserve

a/o 1/20/2026

Notably, this cut is the third made in the past four months, demonstrating the Federal Reserve's commitment to accelerating the economy as inflation has cooled since its 2022 peaks. So, what can we expect from the Fed in the future? Well, this is dependent on numerous factors such as the strength of the labor market, GDP growth, inflation, and most significantly, the future of the Fed chair. The current chair, Jerome Powell's term is coming to an end and the ongoing discourse is assuming new leadership in the future. President Trump has recently said he is down to one candidate for the new chair so we should be expecting an announcement shortly.

### S&P 500 2025 EOY Performance



Data from Federal Reserve

a/o 01/21/2026

### Punching Gloves On: US v EU

As gold and silver prices climbed and U.S. bond prices fell, the 10-year Treasury yield jumped to around 4.3 percent as renewed "Sell America" sentiment took hold. Investors have been pulling back from U.S. Treasuries amid escalating geopolitical tensions and growing concerns over U.S. trade policy. These anxieties have been amplified by President Trump's renewed focus on Greenland, the Arctic island governed by Denmark. Trump has argued that Greenland is strategically important for countering Russian influence in the Arctic and for access to rare earth elements, which are currently subject to Chinese export controls. Denmark and Greenland have firmly rejected any sale. In response, Trump threatened tariffs of 10% on NATO countries backing Denmark beginning February 1, with plans to raise them to 25 percent in June. European leaders signaled little interest in negotiation and instead floated retaliatory measures, including tariffs, reduced purchases of U.S. Treasuries, and restrictions on American companies operating in Europe.

#### 10-Year Treasury Yield



Data from Federal Reserve

a/o 01/21/2026

U.S. stock indexes fell more than 2 percent as investors moved to reduce exposure to American assets amid the growing risk of a broader trade and diplomatic conflict on Tuesday. Danish pension fund AkademikerPension has pledged to sell \$100 million worth of US Treasuries by the end of January. CIO Anders Schelde states US government finances aren't sustainable anymore, specifically mentioning their credit. He also cites concerns over a weaker dollar and fiscal discipline. Although this amount isn't enough to cause major harm, it could be signaling a major shift in the confidence of the U.S. government's overall reputation as being the safest issuer of debt instruments. If foreign tensions continue to escalate and we see another wave of tariffs, U.S. financial markets can be in for continued volatility and uncertainty.