

Economic Overview

Equities kicked off 2026 on a constructive note with the overall global equity market up 3.0% in January. Leadership in the U.S. continued to broaden meaningfully beyond the Mag 7's as value outperformed growth. The Russell 1000 Value index (+4.6%) outperformed the Russell 1000 Growth index (-1.5%), and the equal-weight S&P 500 (+3.4%) outpaced the headline cap-weight S&P 500 (+1.5%). Small caps also rallied, with the Russell 2000 up 5.4%, while the Nasdaq Composite (+1.0%) was more muted due to its large company growth orientation. Outside the U.S., returns were even stronger, thanks in part to a weakening USD, with developed markets up 5.2% and emerging markets up 8.9%, highlighting a sharp early-year bid for non-U.S. risk assets. In fixed income, returns were modest but positive with the Aggregate Bond Index up 0.1%, high yield bonds up 0.5%, and Municipals bonds continuing to outperform, up 0.9% on the month. Commodity markets were a standout, with the Bloomberg Commodity Index returning 10.4% led by strength in energy (WTI crude +14.3%) and precious metals nearing mania territory (gold +8.8% and silver +11.6%).

U.S. economic data in January pointed to a slow-but-stable backdrop, with a continued "low hiring, low firing" labor market and the consumer picture somewhat mixed, depending on income threshold. Inflation remained a central theme with data reinforcing a stubborn but gradual moderation narrative keeping markets attentive to the

balance between cooling trends and sticky components. Survey data across service and manufacturing sectors were mixed but remained in expansionary territory with pockets of strength showing up in areas like durable goods orders. At the same time, soft consumer confidence readings with concerns surrounding the job market and the cumulative effect of inflation pressuring lower- and middle-income cohorts, kept the tone from becoming overly sanguine, particularly against a still-challenged housing affordability backdrop.

On the policy front, markets spent January weighing a familiar mix of Fed speculation, trade headlines, and political-driven uncertainty. The Fed held rates steady (3.5%-3.75%) at the January FOMC meeting, while attention shifted to Jerome Powell's likely successor following an announced intention to nominate Kevin Warsh as the next Fed Chair. Trade policy remained ever-present, with tariff narratives recurring alongside renewed focus on their legality pending a forthcoming SCOTUS ruling on executive branch tariff authority under IEEPA. Fiscal policy re-entered the conversation at the margin as Washington again worked itself into a brief government shutdown which was ultimately resolved through another short-term funding solution. Meanwhile, notable political and geopolitical considerations including Russia-Ukraine, potential conflict with Iran, and non-U.S. leaders embracing a new multi-polar world garnered headlines with

limited market impact, while saber rattling over Greenland/Denmark and designs on Venezuela added incremental noise to an otherwise risk-on start to the year.

Taken together, January delivered a strong opening to 2026 characterized by improved equity breadth, notable non-U.S. leadership, and a sharp move higher in commodities. While the policy backdrop remained active—and at times noisy—markets largely emphasized earnings strength, resilient economic activity, and a constructive risk environment as the month closed.

QUOTE OF THE MONTH

*“Consider the challenge when a steady diet of spinach is on offer”
- Kevin Warsh*

CARTOON OF THE MONTH



Source: Strategas

INDEX RETURNS (%)		CONSUMER METRICS			ECONOMIC TRENDS				
S&P 500	16.35	Levels	1/31/26	10/31/25	1/31/25	Macro Metrics	1/31/26	10/31/25	1/31/25
NASDAQ	20.31	Fed Funds	3.64	3.86	4.33	US Real GDP	4.40	4.40	1.90
Dow Jones	11.65	10 Year Treasury	4.26	4.11	4.58	Core PCE	2.79	2.73	2.78
Russell 2000	15.81	30 Year Mortgage	6.10	6.17	6.95	Unemployment Rate	4.50	4.30	4.00
MSCI EAFE	9.09	Gasoline	2.98	3.16	3.22	Oil (WTI)	61.60	61.75	72.84
US Aggregate	6.85	Used Cars and Trucks*	184.41	185.95	185.42	Gold	4,745.1	4,053.3	2,709.7
High Yield	9.48					Dollar Index	97.0	99.7	108.50
Municipal	4.70					Trailing Returns	1 Mo	3 Mo	1 Yr
	1.26					Oil (WTI)	12.64	4.45	-11.45
	0.58					S&P GSCI Gold Spot	9.31	18.73	67.38
	1.76					Dollar Index	-1.35	-2.82	-10.50

*Represents level indexed to 100.

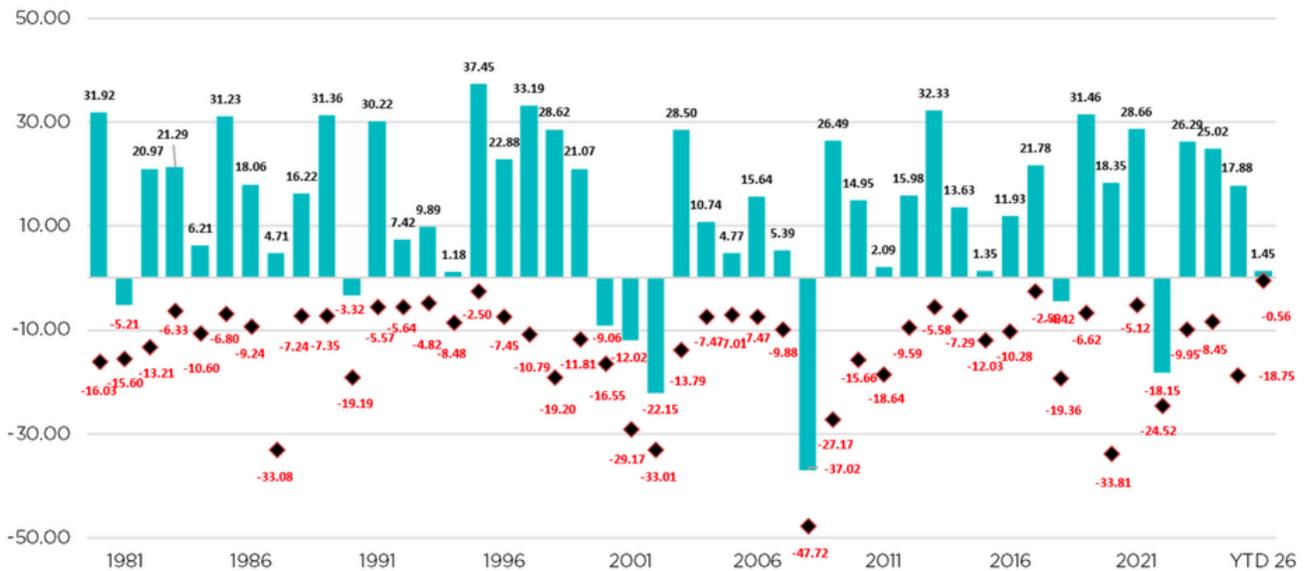
Color Coded Key	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD
Alerian MLP	4.2	21.3	37.8	0.3	31.5	20.0	46.2	30.9	26.6	25.0	34.4	10.4
Bloomberg US Agg Bond	1.4	18.3	25.6	0.0	27.3	18.7	40.2	16.1	26.3	24.4	31.9	8.9
Bloomberg US Treasury US TIPS	1.3	17.5	24.6	-0.8	25.8	18.4	28.7	-1.3	22.8	18.0	22.9	8.0
Bloomberg Commodity	0.5	12.0	21.8	-1.3	25.5	16.8	27.1	-11.2	18.9	11.5	17.9	5.4
Markit iBoxx USD Levged Loan	-0.4	11.8	14.6	-1.8	22.7	11.0	19.0	-11.8	16.9	9.1	15.8	5.2
FTSE WGBI	-1.0	11.6	10.3	-2.3	18.9	10.8	14.8	-13.0	16.1	8.8	12.8	3.1
FTSE WGBI NonUSD	-1.4	10.1	8.2	-2.5	14.4	10.1	11.8	-14.0	13.5	8.2	11.1	3.0
ICE BofA US High Yield	-1.8	9.9	7.5	-4.4	13.1	8.3	6.0	-15.3	13.0	8.1	9.8	1.6
Bloomberg EM USD Aggregate	-3.6	8.5	7.5	-4.8	8.7	7.5	5.4	-18.0	10.3	6.6	8.5	1.5
MSCI ACWI	-4.4	7.2	4.2	-8.9	8.4	6.5	5.1	-18.1	9.1	5.4	8.5	0.9
MSCI EAFE	-4.6	4.7	3.5	-11.0	7.9	6.2	-1.5	-18.3	5.8	4.3	7.5	0.5
MSCI EM	-5.5	2.6	3.3	-11.2	7.7	2.3	-1.7	-19.7	5.5	1.8	7.3	0.4
Russell 2000	-14.6	1.8	3.0	-12.4	6.6	-3.1	-2.2	-20.4	5.2	1.3	7.0	0.3
S&P 500	-24.7	1.6	1.7	-13.4	5.9	-7.9	-7.0	-22.1	3.9	-2.9	5.0	0.1
Wilshire US REIT	-32.6	1.5	-6.5	-14.2	5.3	-28.7	-9.7	-26.8	-7.9	-5.3	2.7	-0.3

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD
S&P 500 Communication Services	10.1	27.4	38.8	6.5	50.3	43.9	54.6	65.7	57.8	40.2	33.6	14.4
S&P 500 Sec/Consumer Discretionary	6.9	23.5	23.8	4.1	32.7	33.3	46.2	1.6	55.8	36.6	24.0	8.7
S&P 500 Sec/Consumer Staples	6.6	22.8	23.0	0.8	32.1	23.6	35.0	-0.6	42.4	30.6	19.4	7.7
S&P 500 Sec/Energy	5.9	18.9	22.2	-0.3	31.5	20.7	34.5	-2.0	26.3	30.1	17.9	6.7
S&P 500 Sec/Financials	4.7	16.7	22.1	-2.2	29.4	18.4	28.7	-5.5	18.1	25.0	16.0	5.8
S&P 500 Sec/Health Care	3.4	16.3	21.8	-4.4	29.0	13.4	27.3	-10.5	12.5	23.4	15.0	2.8
S&P 500 Sec/Industrials	1.4	13.8	21.0	-8.4	27.9	11.1	26.1	-12.3	12.4	17.5	14.6	1.7
S&P 500 Sec/Information Technology	-1.5	12.0	13.5	-12.5	27.6	10.7	24.4	-18.1	12.1	14.9	10.5	1.5
S&P 500 Sec/Materials	-2.5	6.0	12.1	-13.0	26.3	0.5	21.6	-26.1	2.1	5.7	8.7	1.4
S&P 500 Sec/Real Estate	-4.8	5.4	10.8	-13.3	24.6	-1.7	21.1	-28.2	0.5	5.2	6.0	0.0
S&P 500 Sec/Utilities	-8.4	3.4	-1.0	-14.7	20.8	-2.2	18.6	-37.0	-1.3	2.6	3.9	-1.7
S&P 500	-21.1	-2.7	-1.3	-18.1	11.8	-33.7	17.7	-39.9	-7.1	0.0	3.2	-2.4

MARKET TIMING DOESN'T WORK

Intra-year S&P 500 Drawdowns with Annual Returns

Market volatility is normal and can be difficult to time. History shows that staying the course has been a successful investing strategy.



Source: Morningstar Direct, Standard & Poor's. Uses Total Return with daily closing prices.

Return Max Drawdown

MARKET TIMING DOESN'T WORK

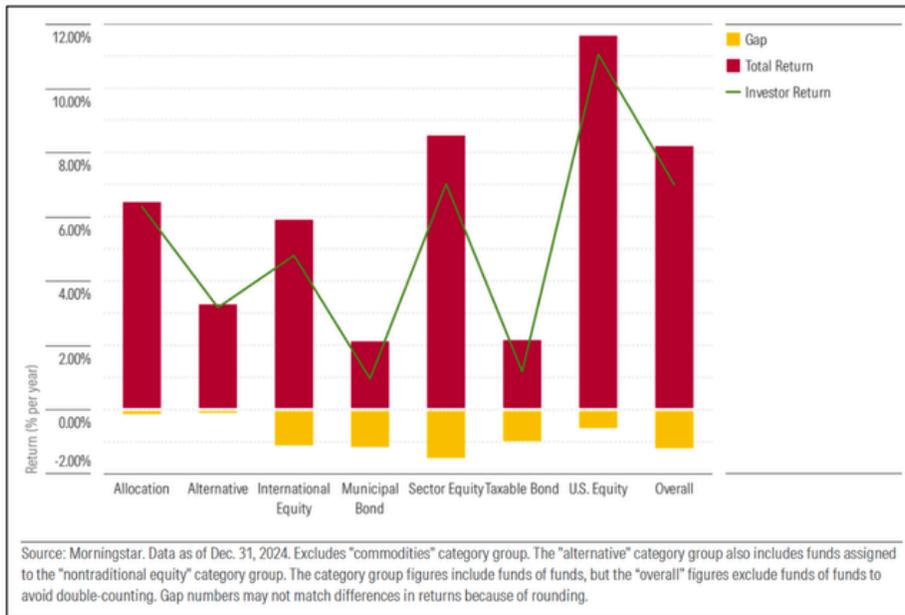
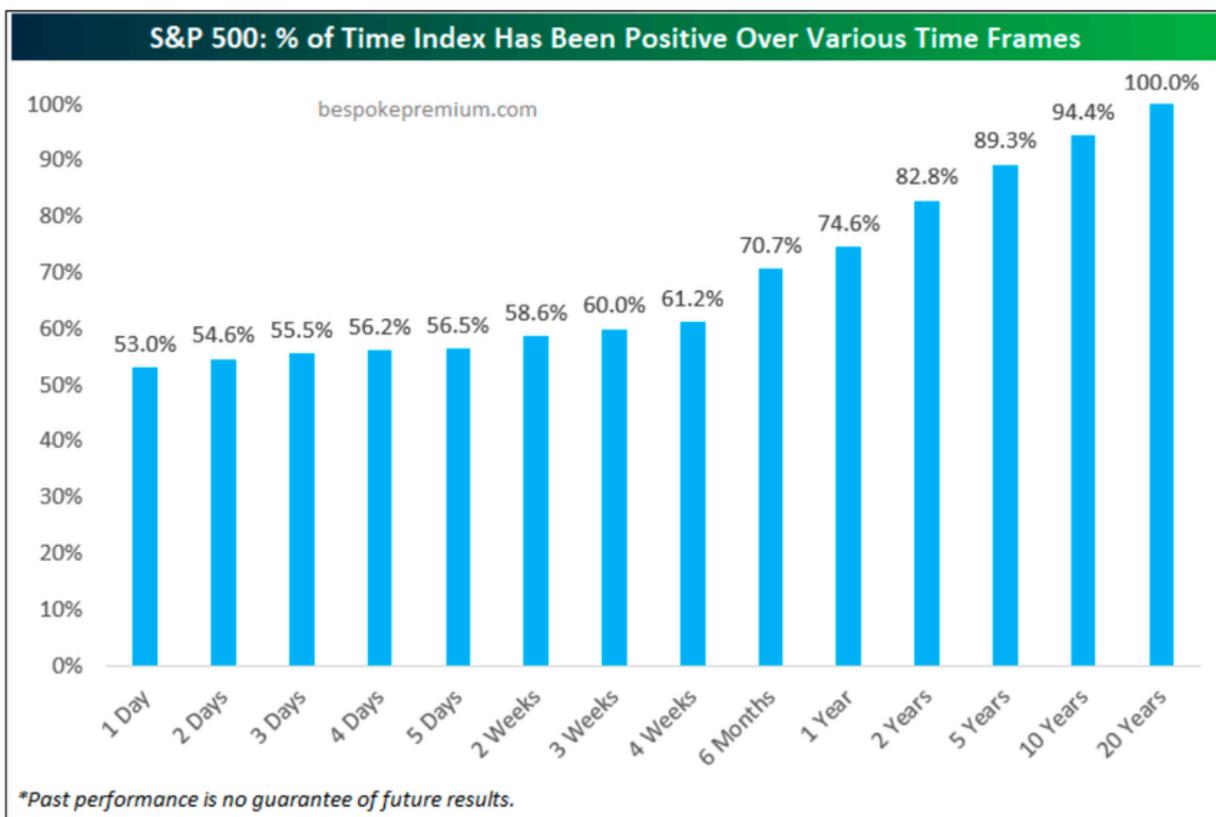


Exhibit 4 Annual Investor Return Gaps by US Category Group (10 Years Ended Dec. 31, 2024)

US Category Group	Investor Return	Total Return	Gap
Allocation	6.3%	6.5%	-0.1%
Alternative	3.2%	3.3%	-0.1%
International Equity	4.8%	5.9%	-1.1%
Municipal Bond	1.0%	2.1%	-1.2%
Sector Equity	7.0%	8.5%	-1.5%
Taxable Bond	1.2%	2.2%	-1.0%
U.S. Equity	11.1%	11.6%	-0.6%
Overall	7.0%	8.2%	-1.2%

Source: Morningstar

MARKET TIMING DOESN'T WORK



Source: Bespoke

Economic expansions do not die of old age, they are murdered - Rudi Dornbusch

Post WW2 Recessions and Their Triggers

Stock Market Peak	Recession Start	Stock Peak Before Recession	Recession End	"Murder Weapon"
May 28, 1946	Feb 1945	-454	Oct 1945	Dramatic Drop in Military Spending (End of WW2)
Jun 18, 1948	Nov 1948	165	Oct 1949	Demobilization of the WW2 Economy
Jan 09, 1953	Jul 1953	203	May 1954	Dramatic Drop in Military Spending (End of Korean War)
Apr 06, 1956	Aug 1957	511	Apr 1958	Suez Crisis/Sputnik
Jan 08, 1960	Apr 1960	113	Feb 1961	Tight Monetary Policy
Dec 06, 1968	Dec 1969	390	Nov 1970	Vietnam War
Jan 12, 1973	Nov 1973	322	Mar 1975	Arab Oil Embargo
Sep 15, 1978	Jan 1980	503	Jul 1980	Highest Inflation of the Century
May 01, 1981	Jul 1981	91	Nov 1982	Punishing Interest Rates (15% 10-year)
Jul 20, 1990	Jul 1990	11	Mar 1991	Iraq Invades Kuwait (~200% rise in Crude Oil)
Jan 14, 2000	Mar 2001	442	Nov 2001	Tech Bubble Popping/September 11
Oct 09, 2007	Dec 2007	83	Jun 2009	Housing Crash/\$145 Crude (July 2008)
Feb 12, 2020	Feb 2020	17	Apr 2020	COVID-19
Average		184		

Source: Bianco Research



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