

CHIEF INVESTMENT OFFICE

Investment Insights

First Gut Check

All data, projections and opinions are as of January 20, 2026 and subject to change.

As we discussed in our Year Ahead and January Viewpoint, we believe 2026 ends up being “a proud bull market” (i.e., market returns that have the potential to track close to S&P 500 Index earnings growth) for the full year rather than a “stampeding bull” market environment (approximately 16% to 20% plus returns) that we experienced in 2023 to 2025. However, we also noted that we expect a few episodes of above average equity volatility, primarily due to uncertainty regarding mid-term elections, the Supreme Court’s ruling on tariffs, and heightened geopolitical risk.

The most recent news events surrounding Greenland, the potential European Union response and the uptick in concern between China and Taiwan has created the first gut check moment for investors in 2026. Equity market volatility has increased this week, longer dated bond yields have risen in Japan, the U.S. dollar has weakened, and precious metal prices have continued their upward climb. Some market watchers are describing early week action as “the sell America trade.” We believe the latest concern is a milder episode than what we experienced around April 8, 2025 Liberation Day. Additionally, we expect the solid economic growth and profit fundamentals to balance out the headline concerns in the coming months.

We expect our core investment themes to continue to gather momentum breaking through the walls of geopolitical risk throughout the year. Our core themes including consumer spending resilience, strong Artificial Intelligence capital investment, a new biotechnology renaissance, accelerated U.S. and European defense spending, attractive Japan and Emerging Markets growth, and rising deal flow activity supporting primarily Small-caps and the Financial sector are all in their early phases and should support a healthy fundamental backdrop.

We continue to emphasize portfolio diversification across and within asset classes and a strategy of taking advantage of capital market weakness when it presents itself throughout the year. We believe the overall growth backdrop is improving solidly and we would add to Equities if your current allocation is below your targets particularly as volatility picks up.

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S&P 500 Index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.

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