



# 10 Market Themes for 1Q 2026

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As of January 1, 2026

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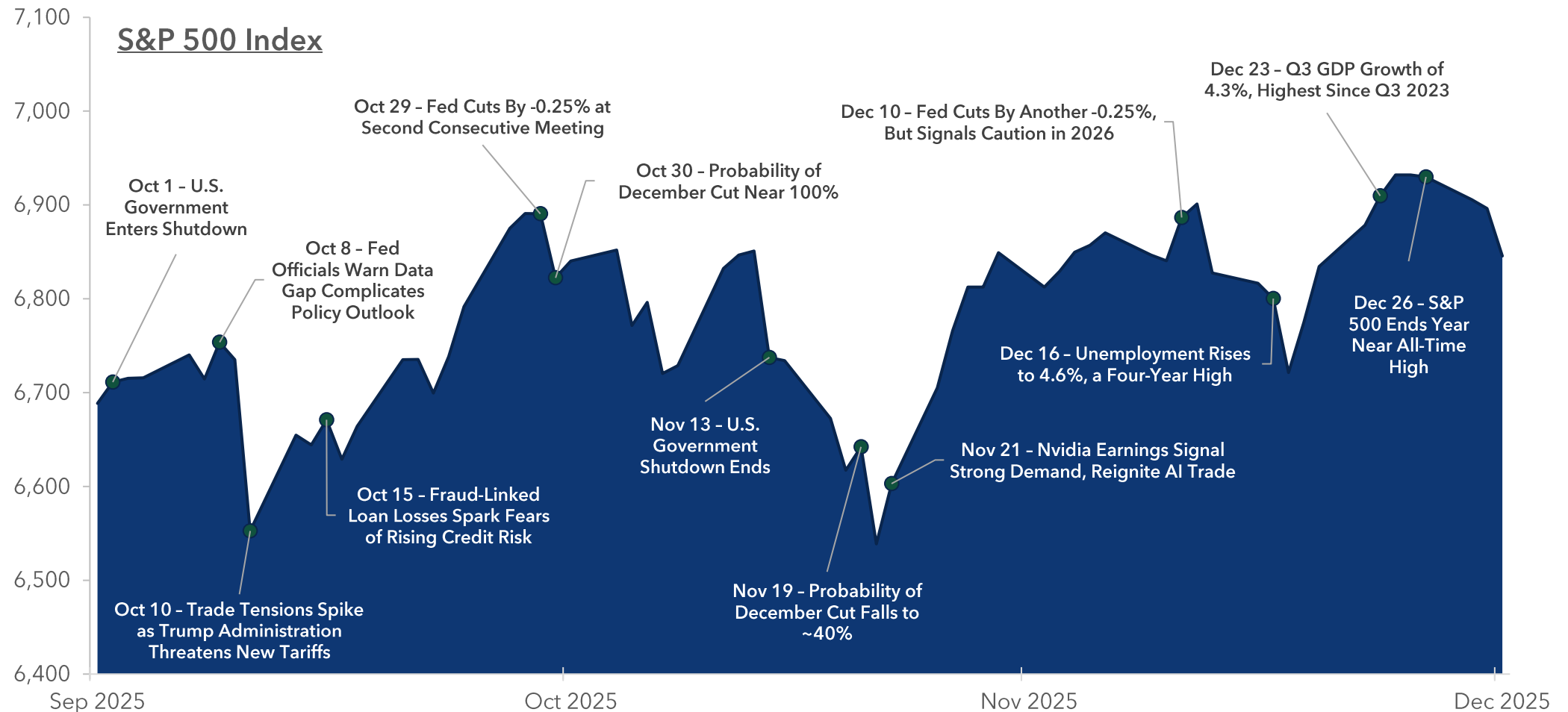
# 10 Market Themes for 1Q 2026

This collection of insights highlights 10 themes we believe are most likely to shape markets and the economy this quarter.

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1Q 2026

# Market Recap - Key Headlines From the Last Quarter

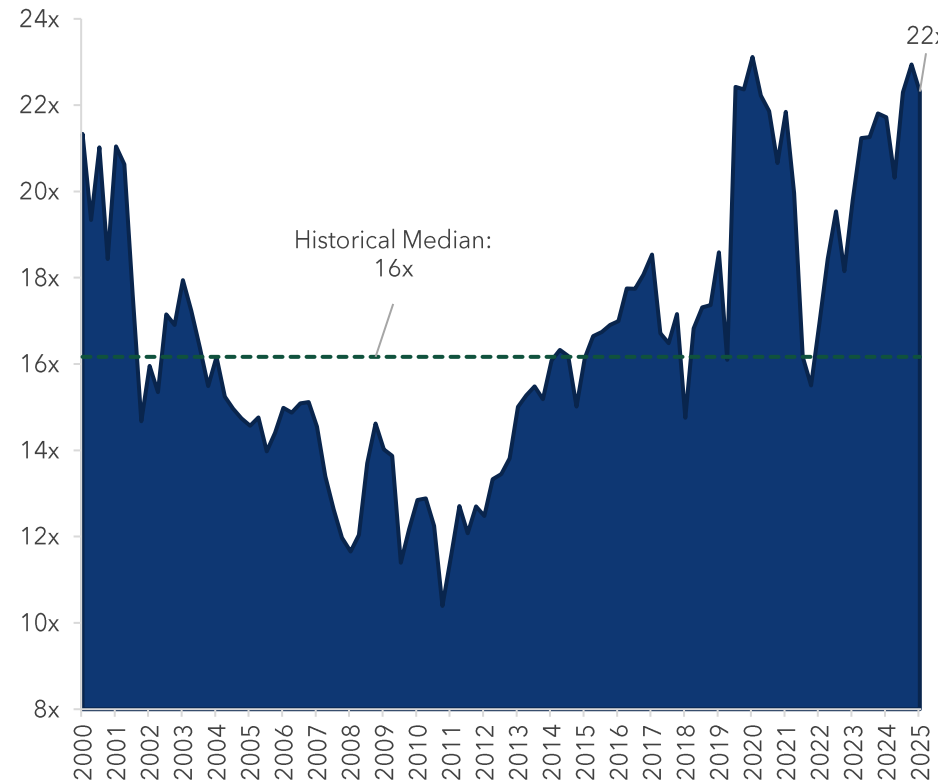


Disclosures: S&P Global. The performance of the S&P 500 index is provided for informational purposes only and does not represent an actual investment. Index performance is for illustrative purposes only and does not reflect any management fees, transaction costs, or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results. Time Period: 9/30/2025 to 12/31/2025. Latest available data as of 12/31/2025.

# Corporate Earnings – Strong Growth Supports High Valuations

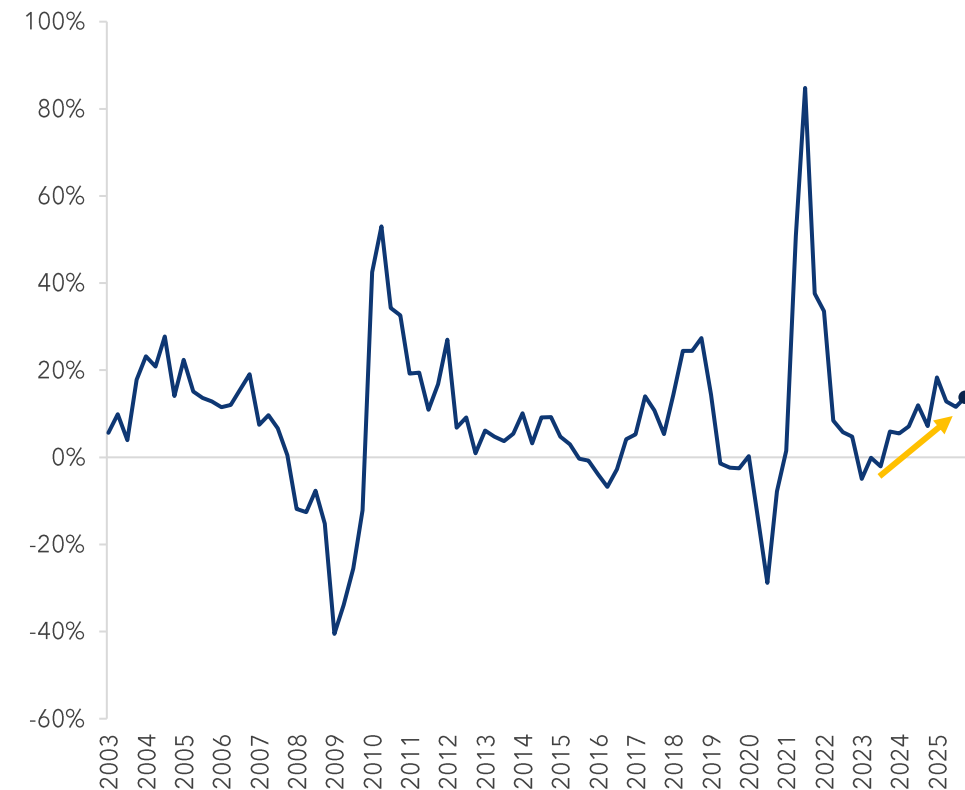
## S&P 500 Valuations Remain Near All-Time Highs ...

Next 12-Month Price-to-Earnings (P/E) Multiple



## ... As Corporate Earnings Growth Remains Strong

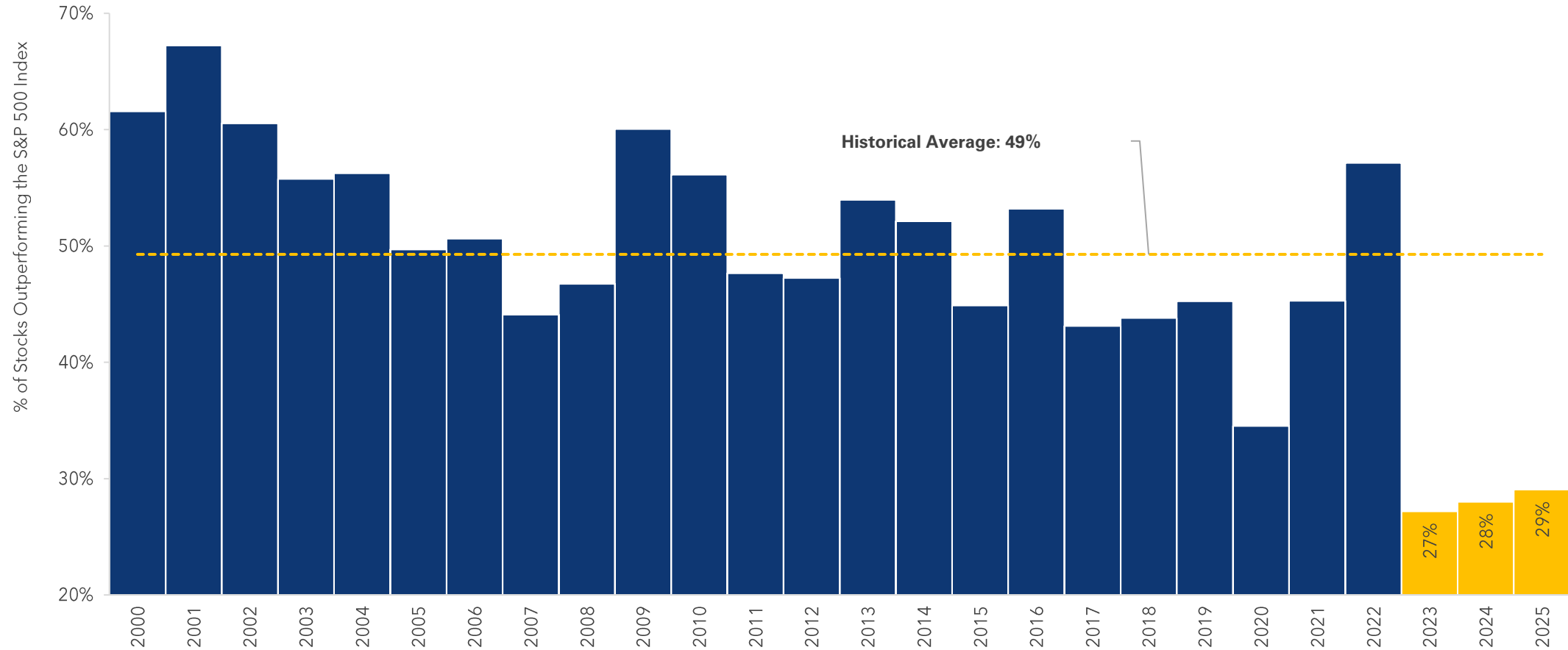
Year-over-Year Change in Quarterly EPS



Disclosures: S&P Global. The charts graph historical S&P 500 valuation metrics (next 12-month price-to-earnings multiple) and year-over-year changes in reported corporate earnings per share. Valuations and earnings data are subject to revision and may vary materially over time; historical averages and trends are not predictive of future market performance or investment outcomes. Past performance is not indicative of future results. Time Period: December 2000 to December 2025. Latest available data as of 12/31/2025.

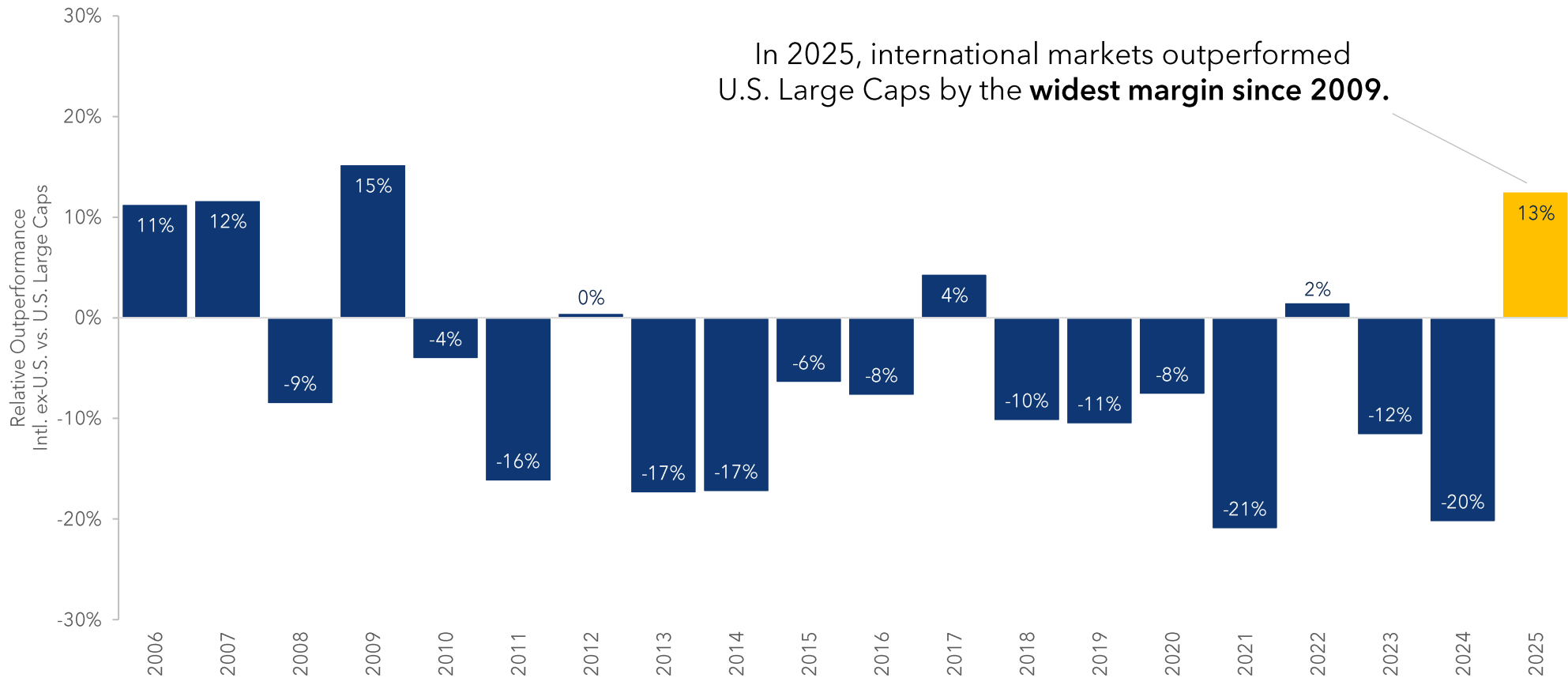
# Stock Market – Fewer S&P 500 Stocks are Outperforming the Index

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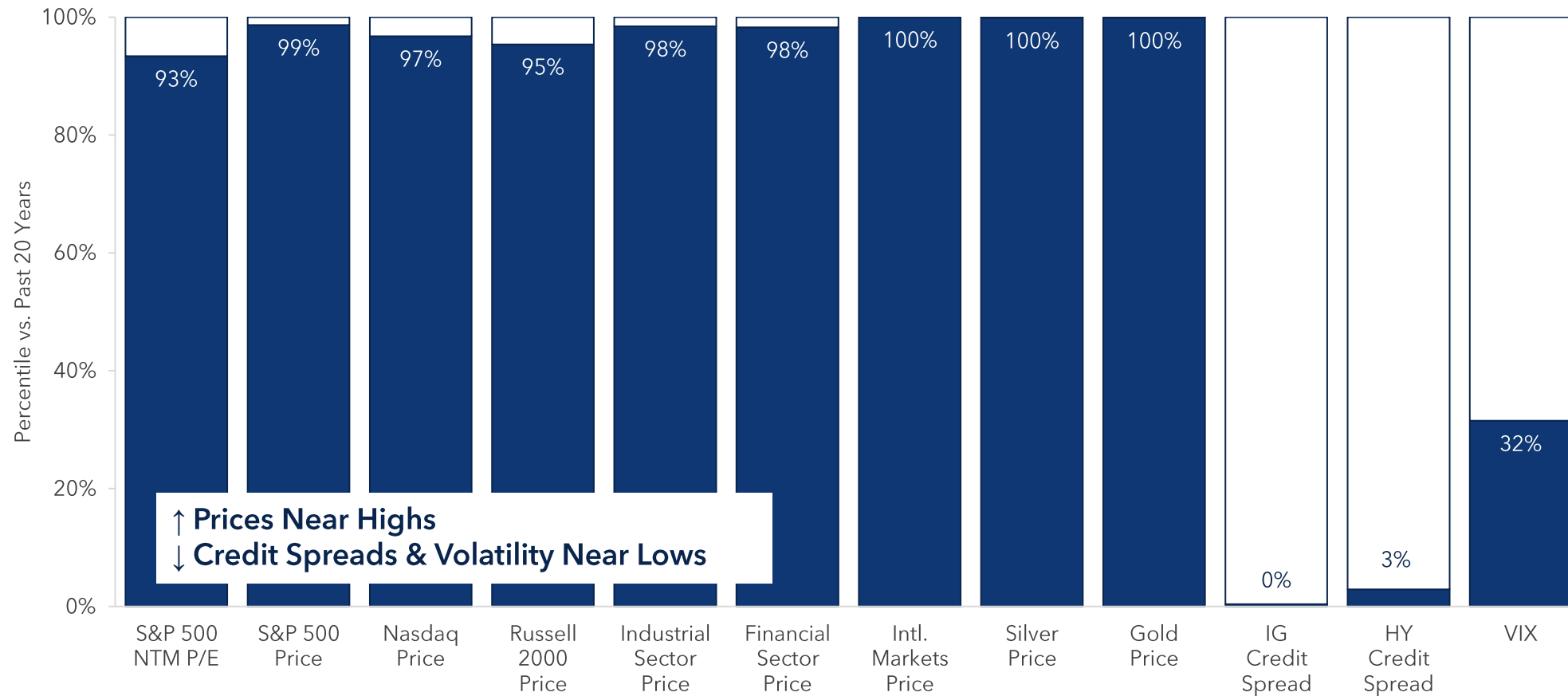
Disclosures: S&P Global. Data represents the percentage of S&P 500 companies that outperformed the S&P 500 index in each calendar year. Outperformance is based on each individual stock's price return relative to the price return of the index. Data is provided for informational purposes only. Performance is for illustrative purposes only and does not reflect any management fees, transaction costs, or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results. Time Period: 2000 to 2025. Latest available data as of 12/31/2025.

# International Markets - Biggest Relative Outperformance Since 2009



Disclosures: S&P Global, FTSE. The performance represents price returns for S&P 500 and FTSE All-World ex US Index in USD. Data represents the annual price return gap between international equities and U.S. large-cap equities. Relative outperformance or underperformance varies over time and is influenced by market, economic, currency, and geopolitical factors, which may not persist. Data is provided for informational purposes only. Performance is for illustrative purposes only and does not reflect any management fees, transaction costs, or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results. International investing involves additional risks, including currency fluctuations, political risk, and differing regulatory and accounting standards. Time Period: 2006 to 2025. Latest available data as of 12/31/2025.

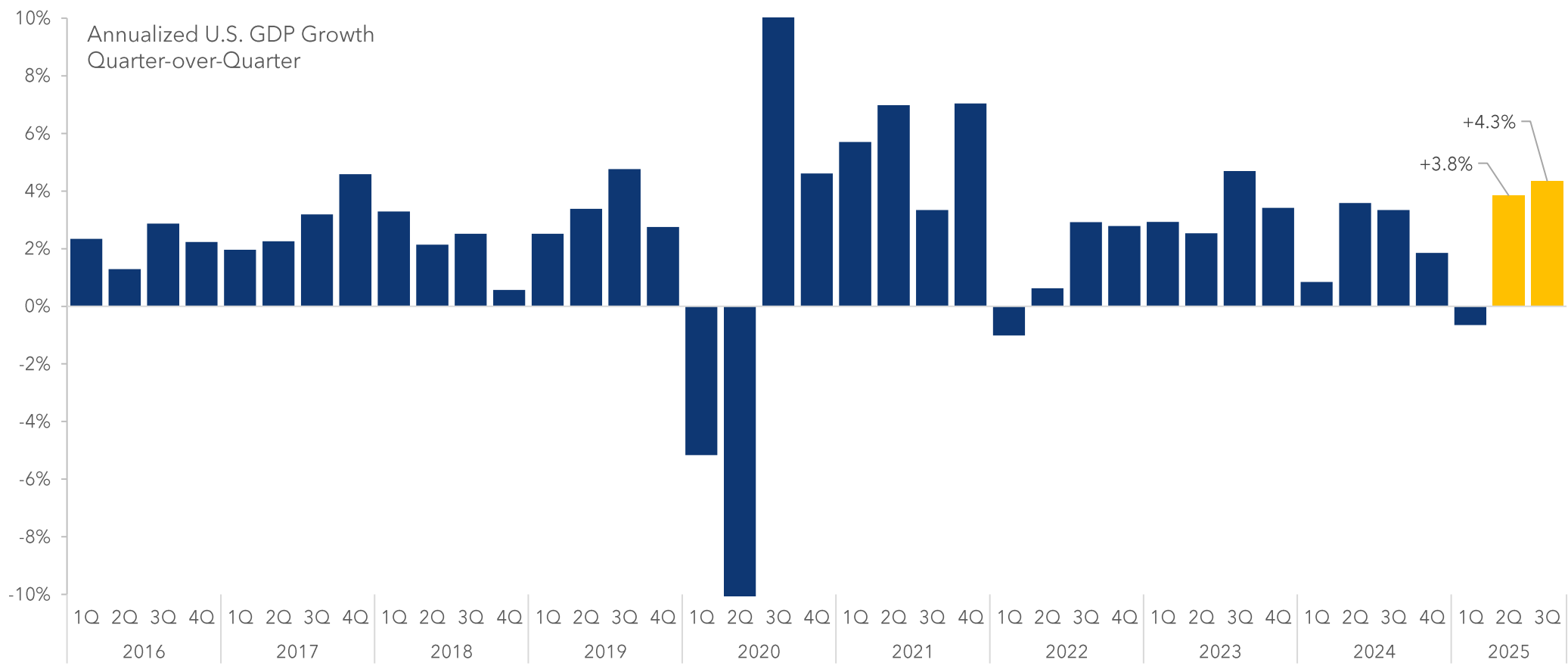
# Valuation Monitor – Asset Class Pricing Mix at Extremes



Disclosures: Federal Reserve, CBOE, NYMEX, S&P Global, Nasdaq, Russell, FTSE. The chart reflects relative valuation and market metrics expressed as percentiles versus the prior 20-year history, which are shown for illustrative context only and are not predictive of future market performance. Percentile rankings and valuation measures are subject to change and may not be comparable across asset classes or market regimes. References to prices, credit spreads, or volatility being near historical extremes are descriptive, not forecasts. Past relationships and market conditions may not persist, and there is no assurance that current valuations will result in any particular investment outcome. Indices include the S&P 500, Nasdaq Composite, Russell 2000, S&P 500 Industrial Sector, S&P 500 Financial Sector, FTSE All-World ex US, Silver (NYM \$/ozt), Gold (NYMEX \$/ozt), ICE BofA US Corporate, ICE BofA US High Yield, CBOE VIX. Latest available data as of 12/31/2025.

# Economic Data - U.S. GDP Growth Rebounded as Trade Uncertainty Eased

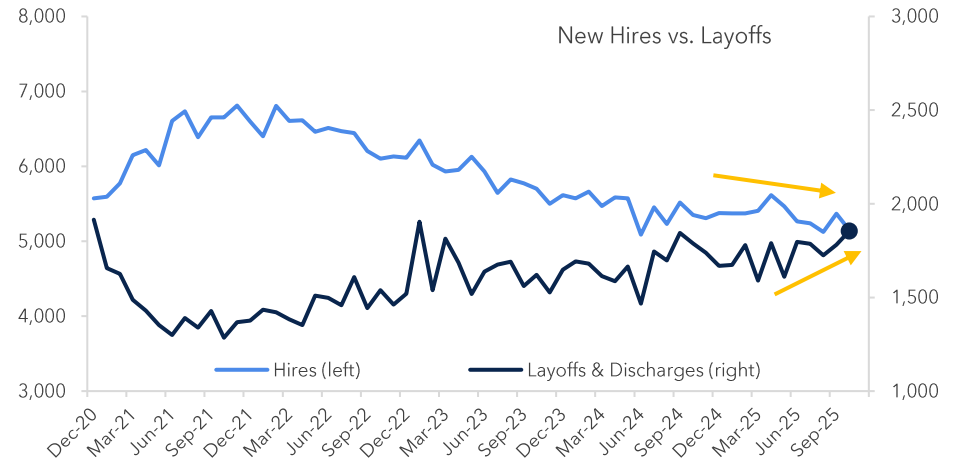
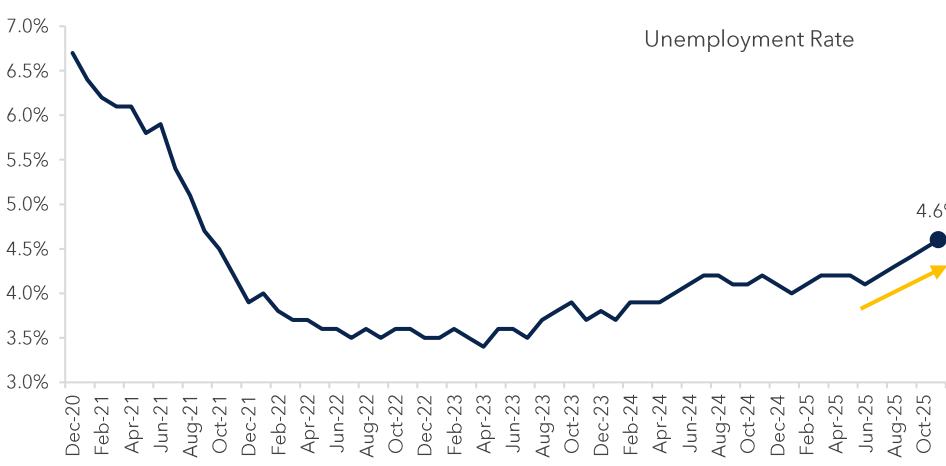
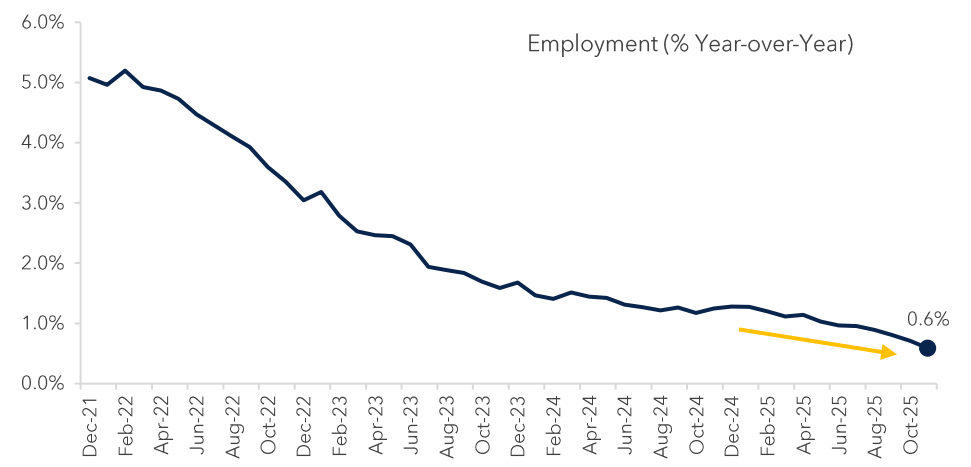
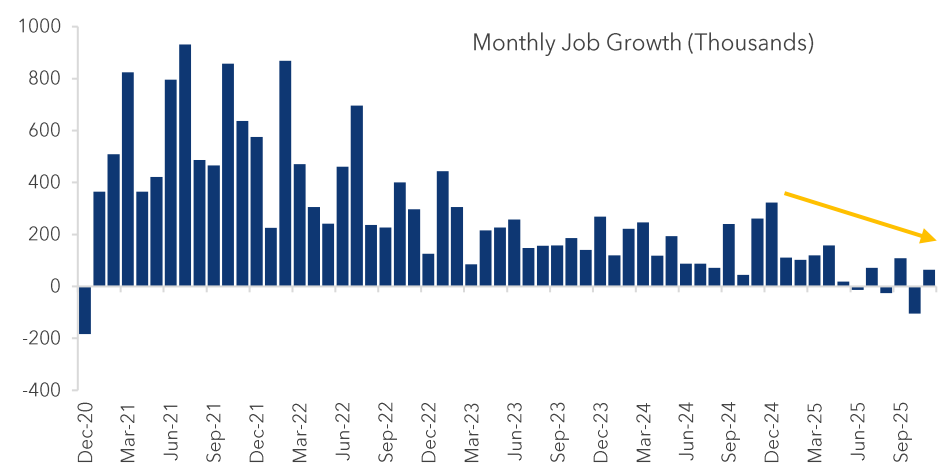
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Disclosures: U.S. Bureau of Economic Analysis. The chart illustrates historical real U.S. gross domestic product (GDP) growth on a quarter-over-quarter annualized basis, based on publicly available economic data, and is shown for contextual purposes only. Economic data are subject to revision and may differ from initial estimates. References to changes in growth or economic conditions are descriptive, not forecasts, and there is no guarantee that current trends will persist. Economic conditions can change rapidly and may affect financial markets and investment outcomes. Time Period: Q1 2016 to Q3 2025. Latest available data as of 12/31/2025.

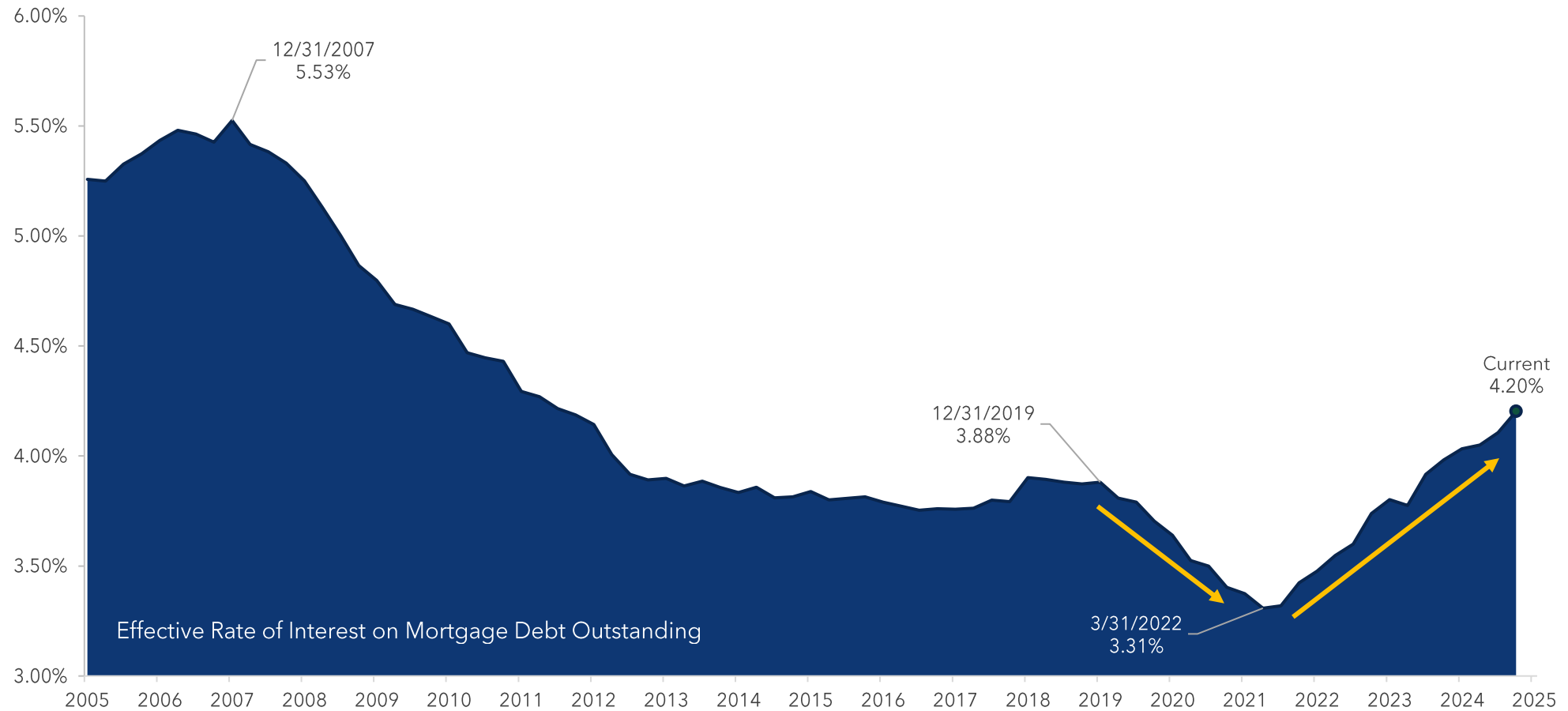


# Labor Market - Job Growth Slows, But Layoffs Remain Low



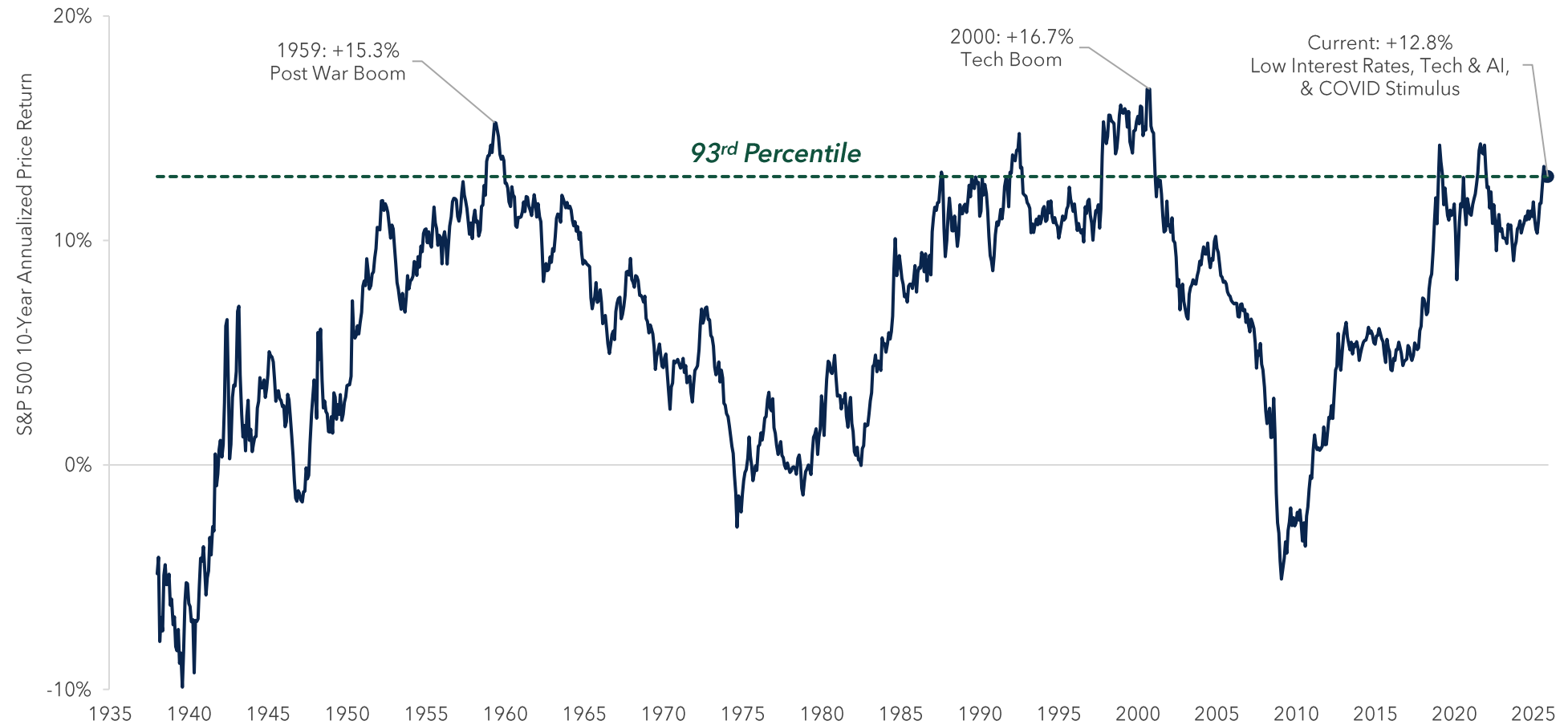
Disclosures: Department of Labor. Labor market data are subject to revision and may differ from initial estimates. Observations regarding slowing job growth or low layoff levels are descriptive of historical conditions and should not be interpreted as forecasts or guarantees of future outcomes. Economic and labor market conditions can change rapidly and may influence financial markets and investment results. Time Period: December 2020 to November 2025. Latest available data as of 12/31/2025.

# Interest Rates – The Effective Rate on Outstanding Mortgages is Rising



Disclosures: U.S. Bureau of Economic Analysis. Data represents the effective interest on mortgage debt outstanding. Calculated as the total mortgage interest paid over a period divided by the average stock of outstanding mortgage debt over the period. Time Period: Q4 2005 to Q3 2025. Latest available data as of 12/31/2025.

# Long Term Perspective - Recent Performance Has Been Extraordinary



Disclosures: S&P Global. This material is for informational and educational purposes only and does not constitute investment advice, a recommendation, or an offer to buy or sell any security. The chart graphs the historical S&P 500 rolling 10-year annualized price return and does not include dividends, transaction costs, advisory fees, or taxes, which would reduce returns; index performance is shown for illustrative purposes only, and indices are unmanaged and not investable. Past performance is not indicative of future results; market conditions and returns vary over time, and there is no guarantee that future results will resemble those shown. Any references to market regimes, stimulus, or technological trends are general commentary, not forecasts. Time Period: 1935 to 2025. Latest available data as of 12/31/2025.

# Looking Ahead - Key Themes to Watch the Next Six Months

## The State of the Economy

- The 43-day government shutdown delayed key economic data releases. Government agencies are still working to clear the backlog, with some releases ultimately canceled.
- Early releases suggest the economy is broadly unchanged to potentially softer, but it's incomplete information. How did the economy end the year, and where does it settle in 2026?

## The AI Infrastructure Buildout

- Companies have announced plans to spend trillions of dollars to build out the infrastructure needed to run AI.
- How will AI-related companies finance their spending commitments? Will the market continue to reward a "growth at any cost" mentality, or will it focus on profitability?

## Will the Housing Market Continue to Thaw?

- Mortgage rates have declined as the Fed cuts, and housing inventory is rising. Home prices are normalizing as more listings come to market, but affordability remains a challenge.
- Will mortgage rates continue to fall, and if so, will housing activity thaw? Will rising inventory improve housing conditions?

Disclosures: Forward-looking statements are based on current expectations, estimates, projections, and assumptions. These statements involve risks and uncertainties, and actual outcomes may differ materially from what is expressed or implied. Forward-looking statements are not guarantees of future performance and should not be relied upon as such. Economic and market conditions are subject to change, and any opinions or forecasts contained herein are subject to change without notice.

# Questions?

# Definitions

<b>2Y / 10Y / 30-Year Treasury Bonds</b>	Treasuries are debt obligations issued and backed by the full faith and credit of the U.S. government.
<b>Consumer Price Index (CPI)</b>	Measures the changes in the price level of a basket of consumer goods and services purchased by households.
<b>Federal Fund's Rate</b>	The target interest rate set by the Federal Reserve at which commercial banks borrow and lend excess reserves overnight.
<b>Federal Reserve</b>	The Federal Reserve System is the central bank of the United States. It was founded by Congress in 1913 to provide the nation with a safer, more flexible, and more stable monetary and financial system
<b>Forward Price to Earnings Ratio</b>	The forward P/E ratio (or forward price-to-earnings ratio) divides the current share price of a company by the estimated future ("forward") earnings per share (EPS) of that company.
<b>Growth Stocks</b>	Growth stocks are companies expected to grow sales and earnings at a faster rate than the market average.
<b>Inflation</b>	A general rise in price level relative to available goods and services.
<b>Price Return</b>	The rate of return on an investment portfolio, where the return measure takes into account only the capital appreciation of the portfolio, not including income generated in the form of interest or dividends.
<b>Total Return</b>	Return on a portfolio of investments including capital appreciation and income received on the portfolio.
<b>Unemployment Rate</b>	A lagging economic indicator which is calculated as the percent of the labor force that is jobless.
<b>Value Stocks</b>	Stocks that are inexpensive relative to the broad market based on measures of fundamental value (e.g., price to earnings or price to book).

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# Disclosures and Legal Notice

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