January 2026

Monthly Market Commentary

Summary

1. Global markets posted strong returns across asset classes in 2025.
2. With the resolution of elevated uncertainty that prevailed early last year, 2026 should start off with continued positive momentum.
3. An inflection in growth and a slowdown in inflation sets up perfectly for a broadening rally across sectors and cyclicals in the early part of the year.
4. Easy monetary and fiscal policy should provide a tailwind for risk assets.
5. Labor market slowdown and elevated valuations at the index level remain a risk that needs to be monitored.

Happy New Year! As we begin 2026, we want to take a moment to thank you for your continued trust and partnership. We hope the year ahead brings you success and that you're able to accomplish everything you've set out to achieve. As always, we wish you and your loved ones a year filled with good health, safety, and peace. We look forward to working together in the months ahead and supporting you through the opportunities and challenges of the new year.

Global markets finished another year with strong performance with international equities posting the highest returns for the year relative to domestic equities which themselves had above average returns on the year. Fixed income markets also finished the year with positive returns with Emerging Market bonds outperforming domestic bonds for the year. Despite elevated volatility early in the year, most markets globally finished strong to keep the bull market intact. Global economies continue to have resilient growth despite a slowdown closer to trend compared to prior years. Positive developments with respect to trade and tax policy have also acted as tailwinds over the course of the year, which now likely are well reflected in asset prices across the board. Opportunities continue to prevail in various sectors of the market despite elevated valuations at the index level where most of the valuation and concentration risks persist. An inflection in economic growth and easing of inflation pressure should continue to be supportive over the first half of the year with strong profit growth and easing monetary policies globally. Global equities, small caps, commodities, cyclicals and real assets should all be supported by current fundamental and policy dynamics. With mid-terms in the later part of the year, we expect further pro-growth policies from the administration alongside further monetary policy easing that will likely extend the positive backdrop for longer.

At the macro level, economic growth is expected to accelerate to 3% YoY in the first quarter of 2026 from about 2.4% YoY in the fourth quarter of 2025 while inflation is expected to slow to about 2.4% YoY in Q1 2026 vs 2.7% YoY in Q4 2025 which sets up a favorable backdrop for risk assets. On the micro level, earnings growth for S&P 500 companies for 2025 is expected to be around 11% with further acceleration to 15% earnings growth in 2026E. In the near term, we continue to expect a positive backdrop globally. Slowdown in the labor market and elevated valuations remain a risk that needs to be monitored carefully.