



2026 OUTLOOK

HERE COMES THE BOOM

2025 Recap

- **Big themes from 2025**
 - **Positive Equity and Fixed Income Performance**
 - Equities led the way, with global stocks performing especially well. U.S. equities posted strong gains, and international stocks benefited even more from a weaker dollar.
 - Fixed income also had a solid year. As interest rates moved lower, bonds delivered positive returns, particularly in short- and intermediate-term segments. Long-duration bonds lagged, because long-term rates didn't fall as much. Your top fixed income sector was
 - **Commodities Shine**
 - Commodities performed well overall, but the story inside commodities really mattered. Precious metals—especially gold and silver—were the standout winners, while energy was a drag.
 - **Falling Interest Rates and US Dollar**
 - The Federal Reserve cut interest rates by 75 basis points in 2025 and signaled more on the way in 2026, however, with changes on the horizon at the Federal Reserve just how many and when is up for debate
 - Falling interest rates, tariff spats, and benign economic growth hindered US Dollar performance in 2025 and caused the US Dollar to fall over 9% in 2025



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2026 Outlook: Executive Summary



Slowing Growth and Inflation

Leading indicators continue to slow but are improving from a rate of change perspective. Inflation is trending lower. Our base case for 2026 is a slow start for economic growth with a potential growth scare manifesting early in the year. However, we expect leading indicators to materially improve in the back half of the year. Will inflation accelerate with growth momentum?

Federal Reserve Policy

The Federal Reserve is finally in an easing posture and back aligned with growth supportive fiscal policy. Balance sheet reductions have stopped, and further interest rate cuts are expected in 2026.

Investor Sentiment and Risks

Risk appetite is entering the year strong as market internals and price action are supportive of positive momentum in risk assets. On the other hand, valuations remain elevated for the S&P 500 suggesting the need for diversification and potential upside for active strategies.

Opportunities Everywhere

Diversifying into real assets, small caps, international markets, active management, hedged equity, and other strategies offer potentially superior expected returns versus market cap weighted indices.

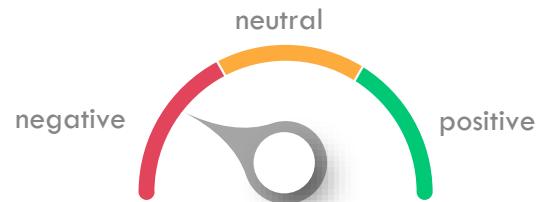
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INDICATOR

TREND

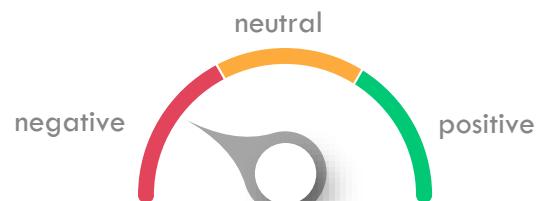
COMMENTS/ REMARKS

EXPECTED RETURNS



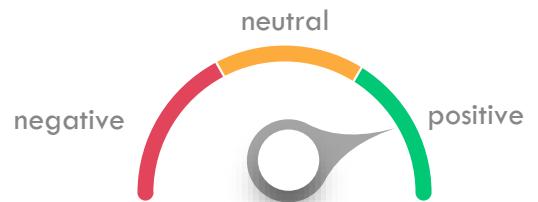
US stocks remain at negative risk premiums relative to Treasury bonds. Investors are not being compensated adequately for investing in the S&P 500.

BUSINESS CYCLE



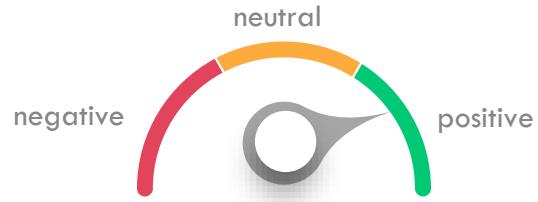
Leading indicators remain in a negative trend on a year-over-year basis. Coincident indicators are trending lower as well, although they remain positive year-over-year.

MONETARY POLICY



The Fed is easing policy and has halted balance sheet reductions. Fiscal policy and monetary policy are now aligned in being growth oriented.

MARKET TRENDS



Credit markets improved alongside breadth to move market trends back to positive. Global equities finished the year at all-time highs with most Countries and sectors confirming.

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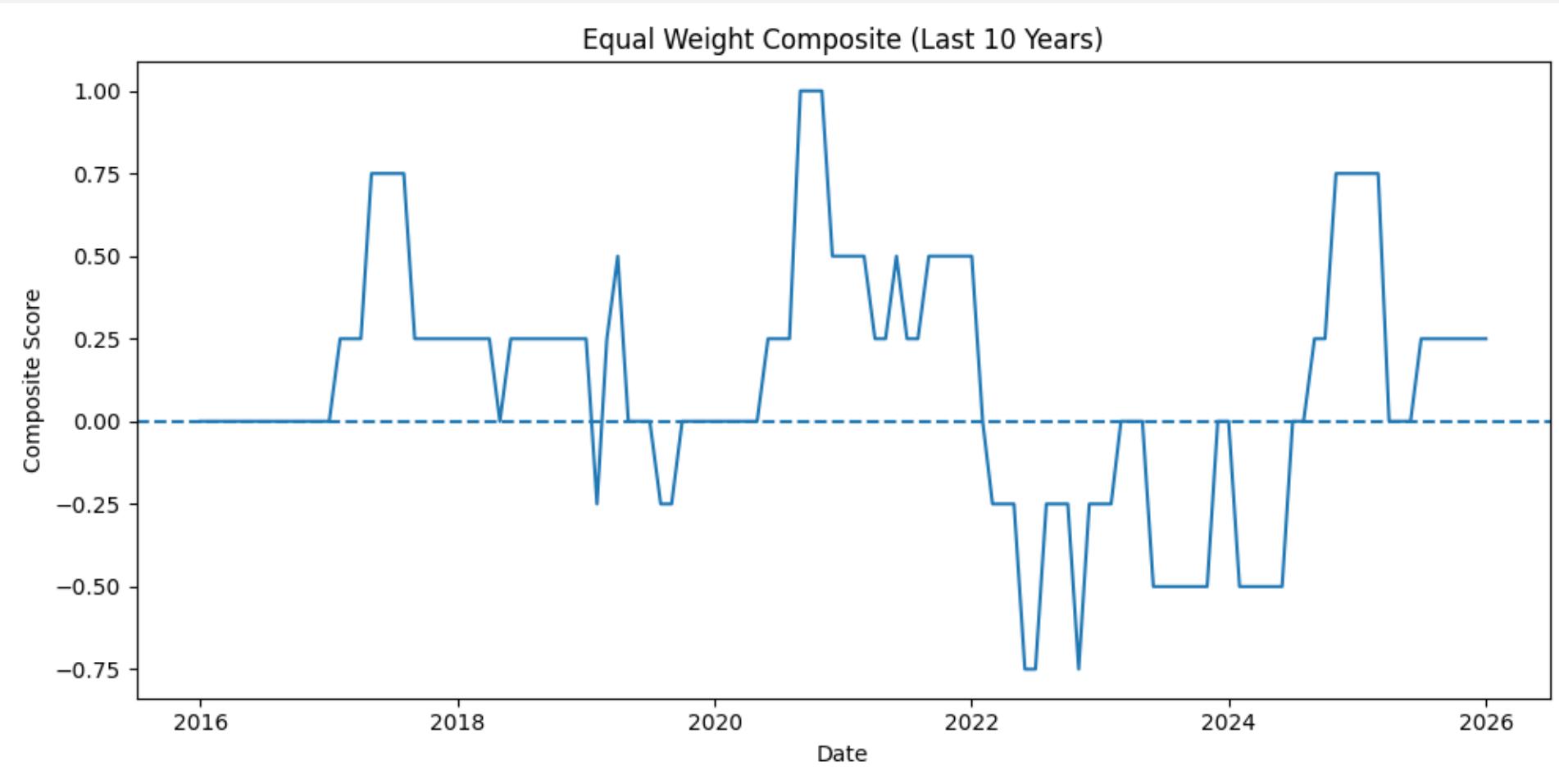
Framework scoring system

Pillar	Category	Score
Risk	On	+1
	Neutral	0
	Off	-1
Policy	Easing & Easy	+1
	Easing & Tight	0
	Tightening & Easy	0
	Tightening & Tight	-1
Inflation	Disinflationary (falling PPI, Brent and TIP/TLH)	+1
	Neutral	0
	Inflationary (rising PPI, Brent and TIP/TLH)	-1
Growth	Accelerating	+1
	Slowing	-1

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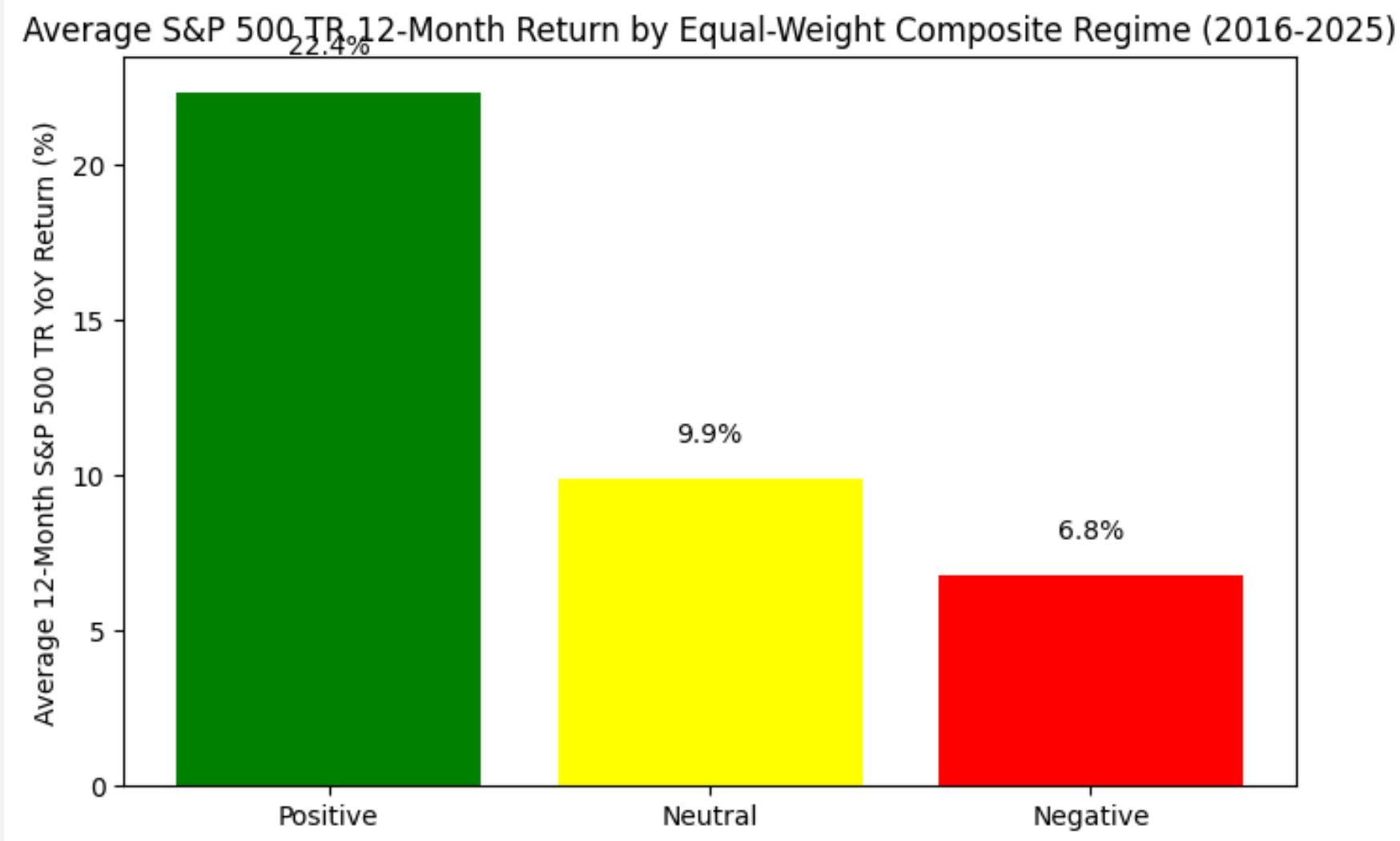


Framework composite over the last 10 years.



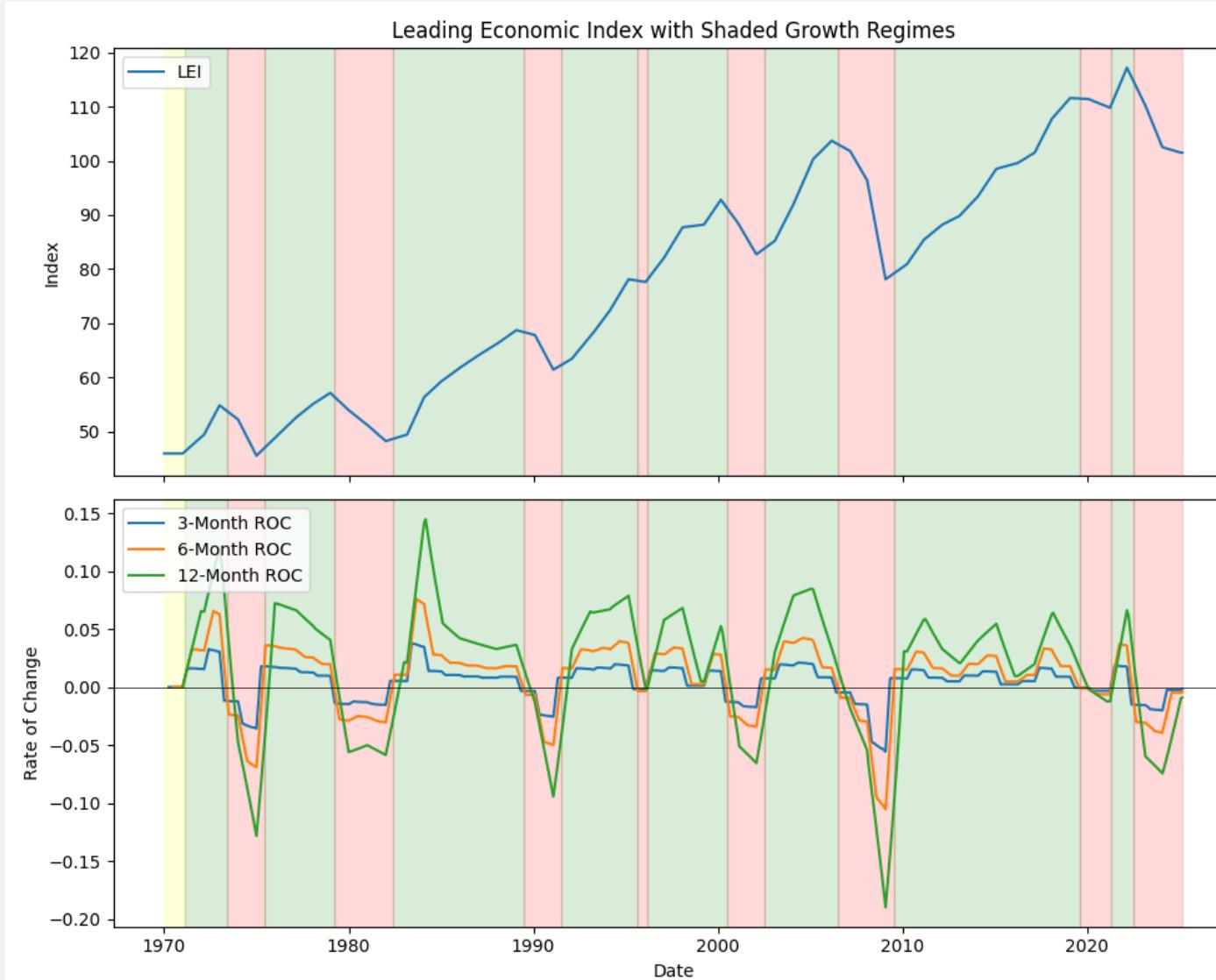
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Average Returns per Regime



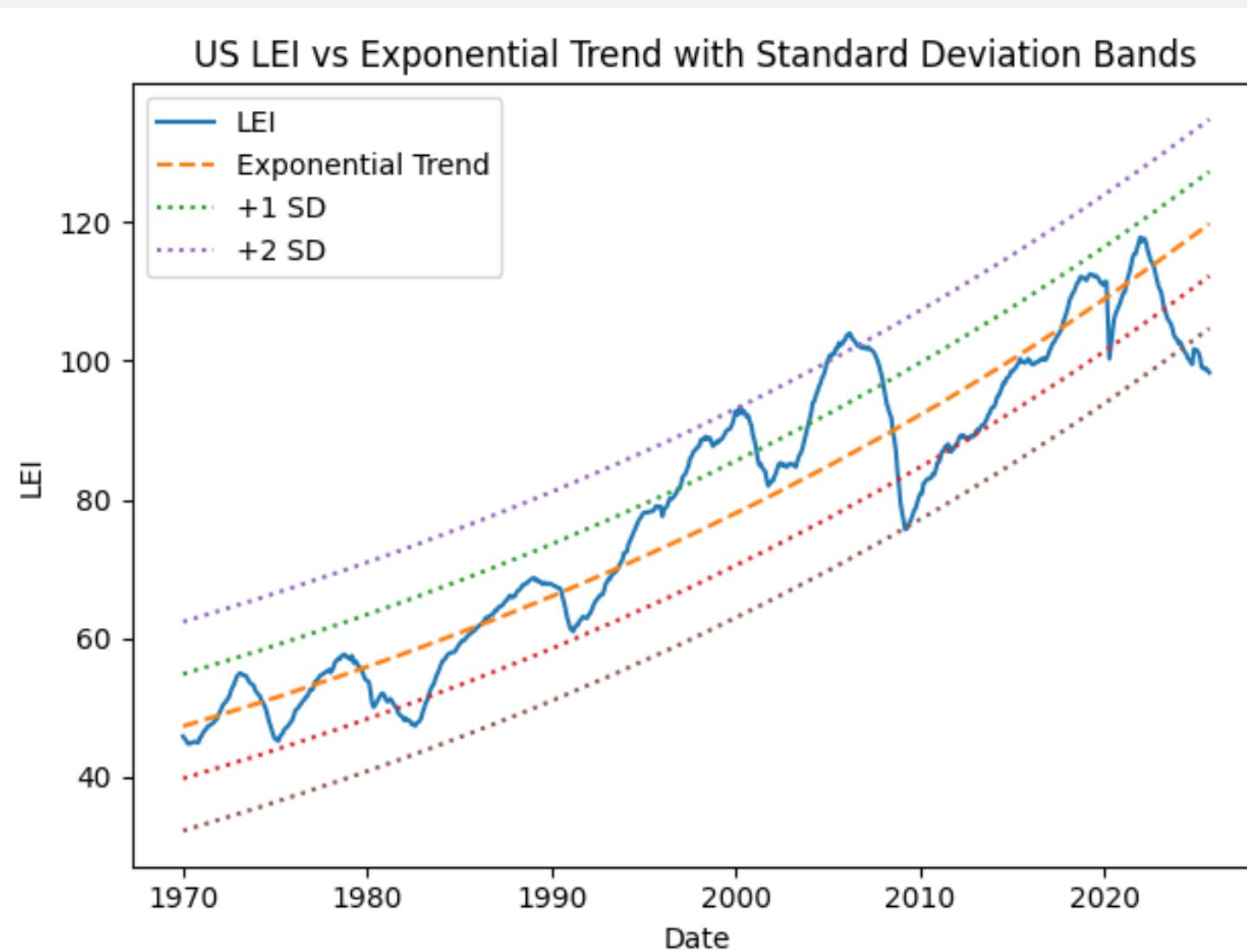
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Leading Indicators continue to decelerate but at a slower rate



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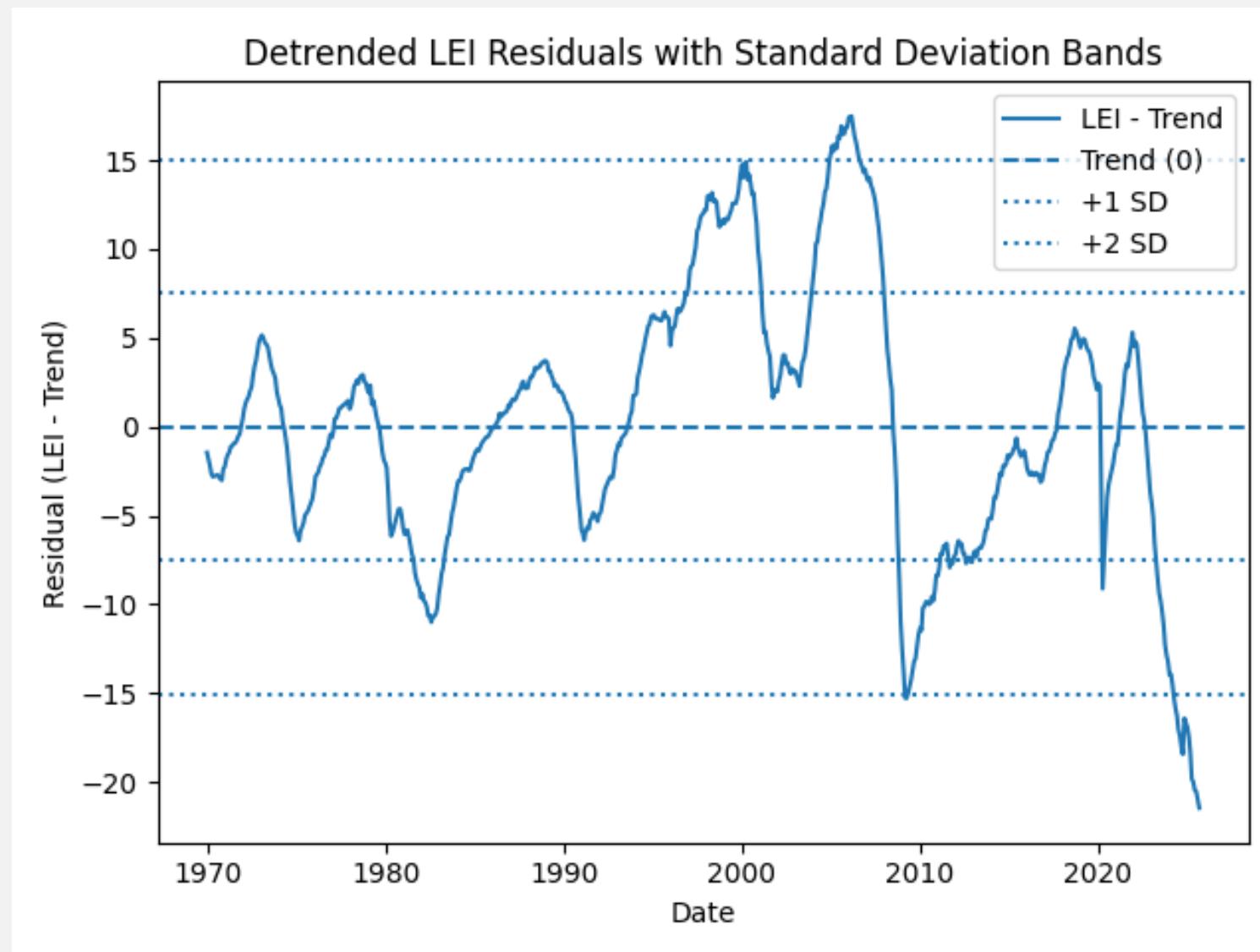
Leading indicators are well below trend



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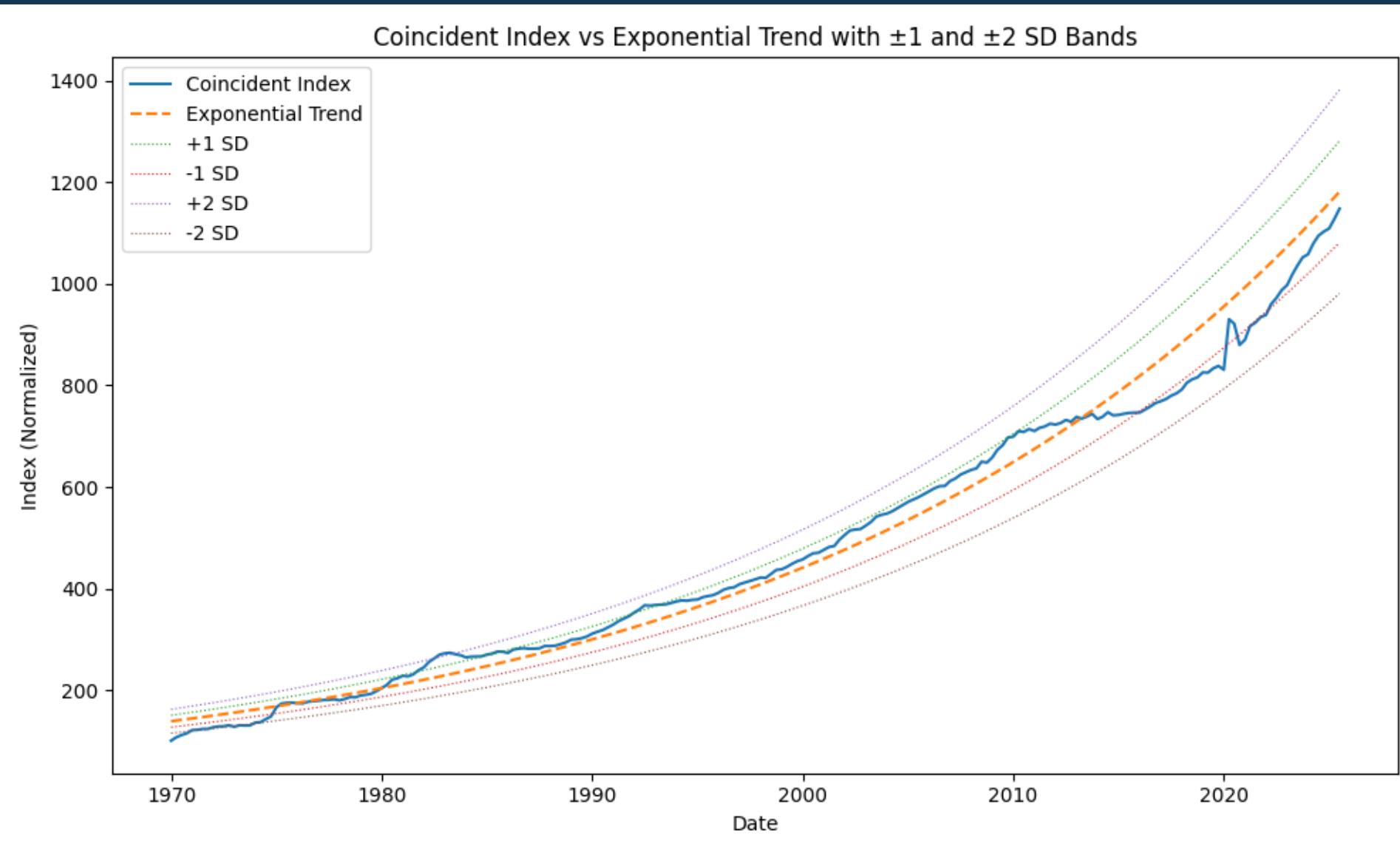


In fact, this is the worst period on record



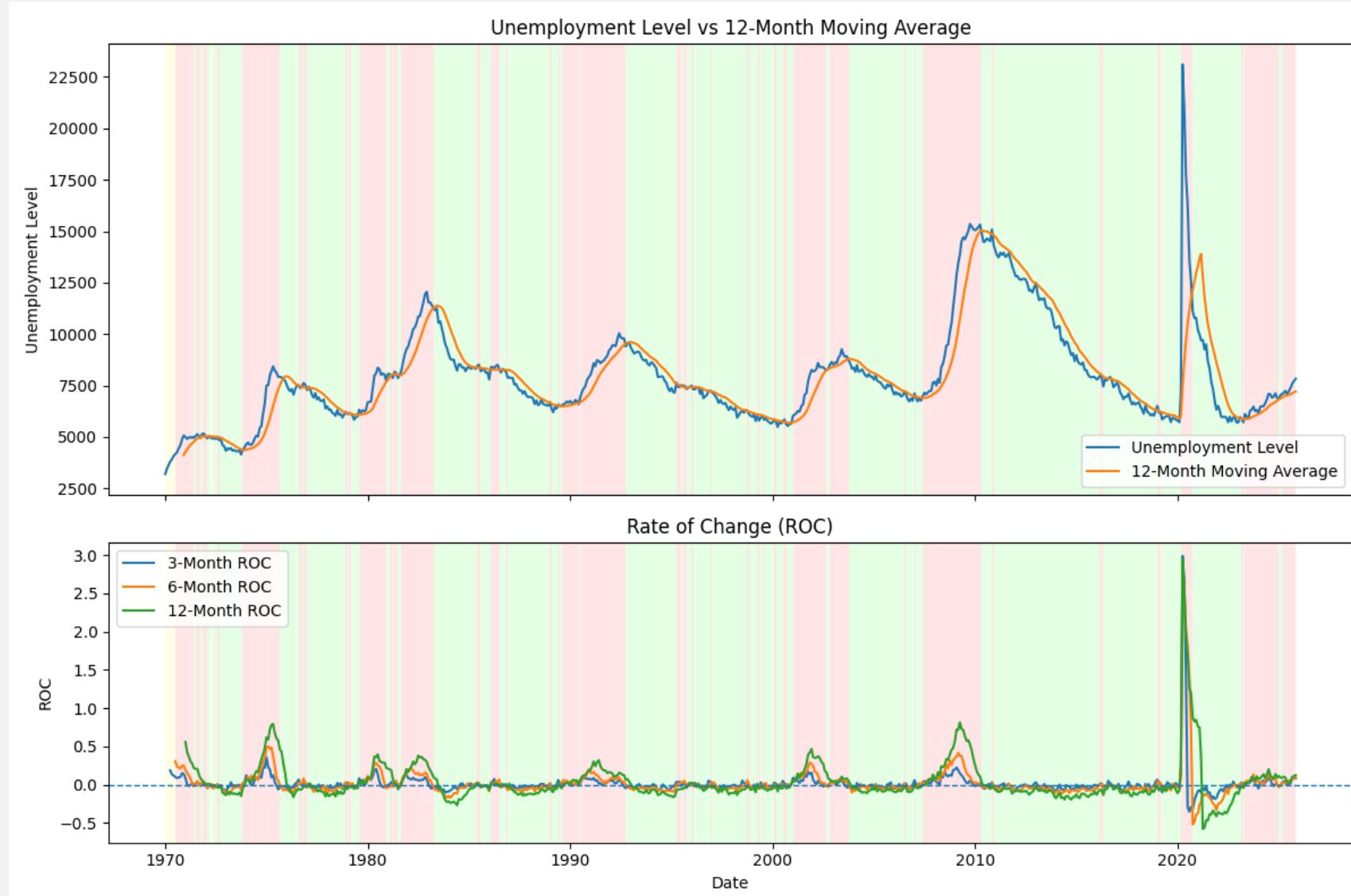
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Coincident indicators, although below trend, remain resilient



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However, unemployment is above trend and moving higher



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Sluggish Start, Strong Finish



Slow Start to the Year

Economic growth is expected to be sluggish in the early months, presenting initial challenges for businesses and markets.

Acceleration in Indicators

Leading indicators are projected to improve as the year advances, pointing to increased economic activity.

Stronger Finish Expected

Momentum is anticipated to build, resulting in a stronger economic finish in the latter half of the year.



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The Buffett Principle

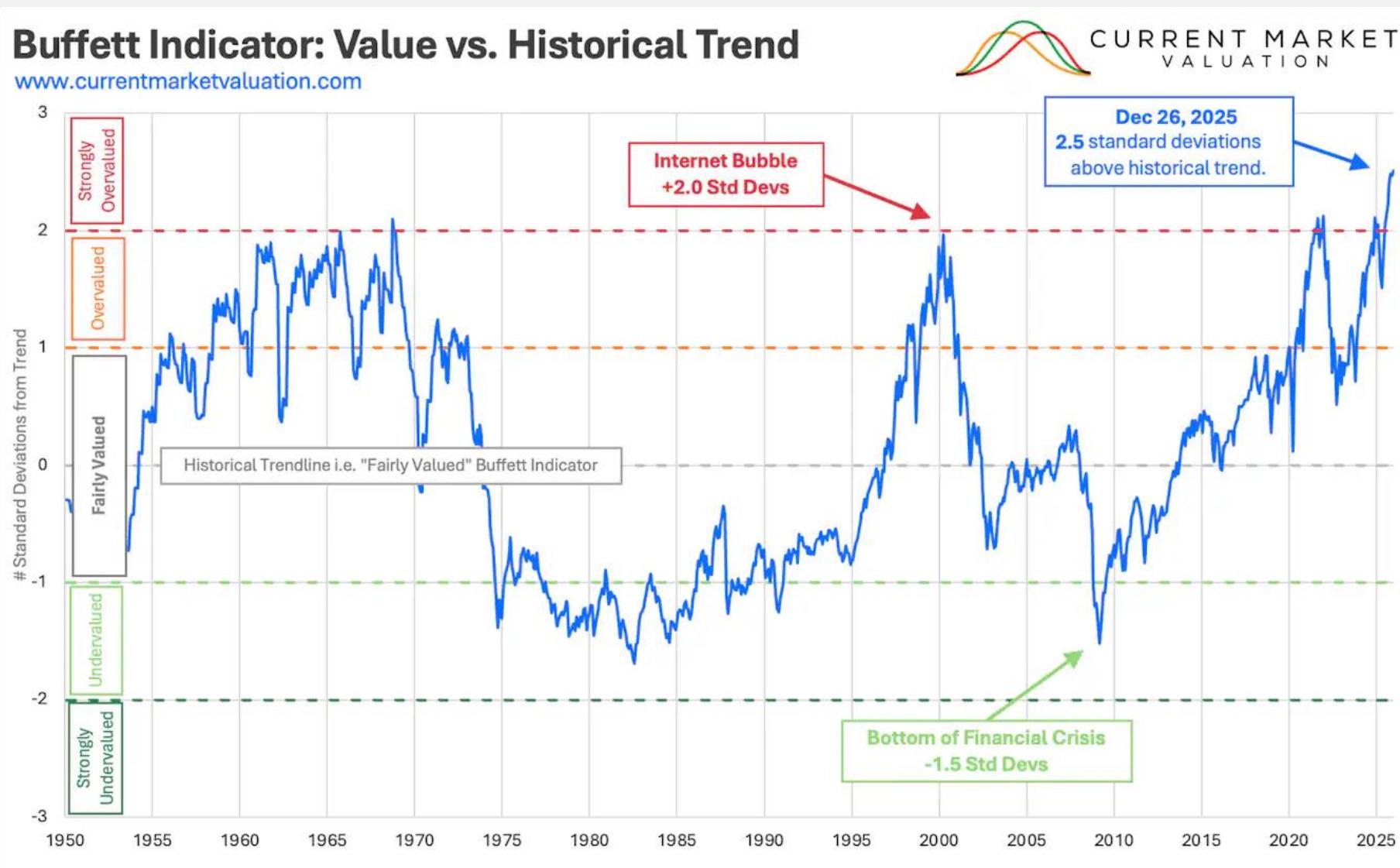


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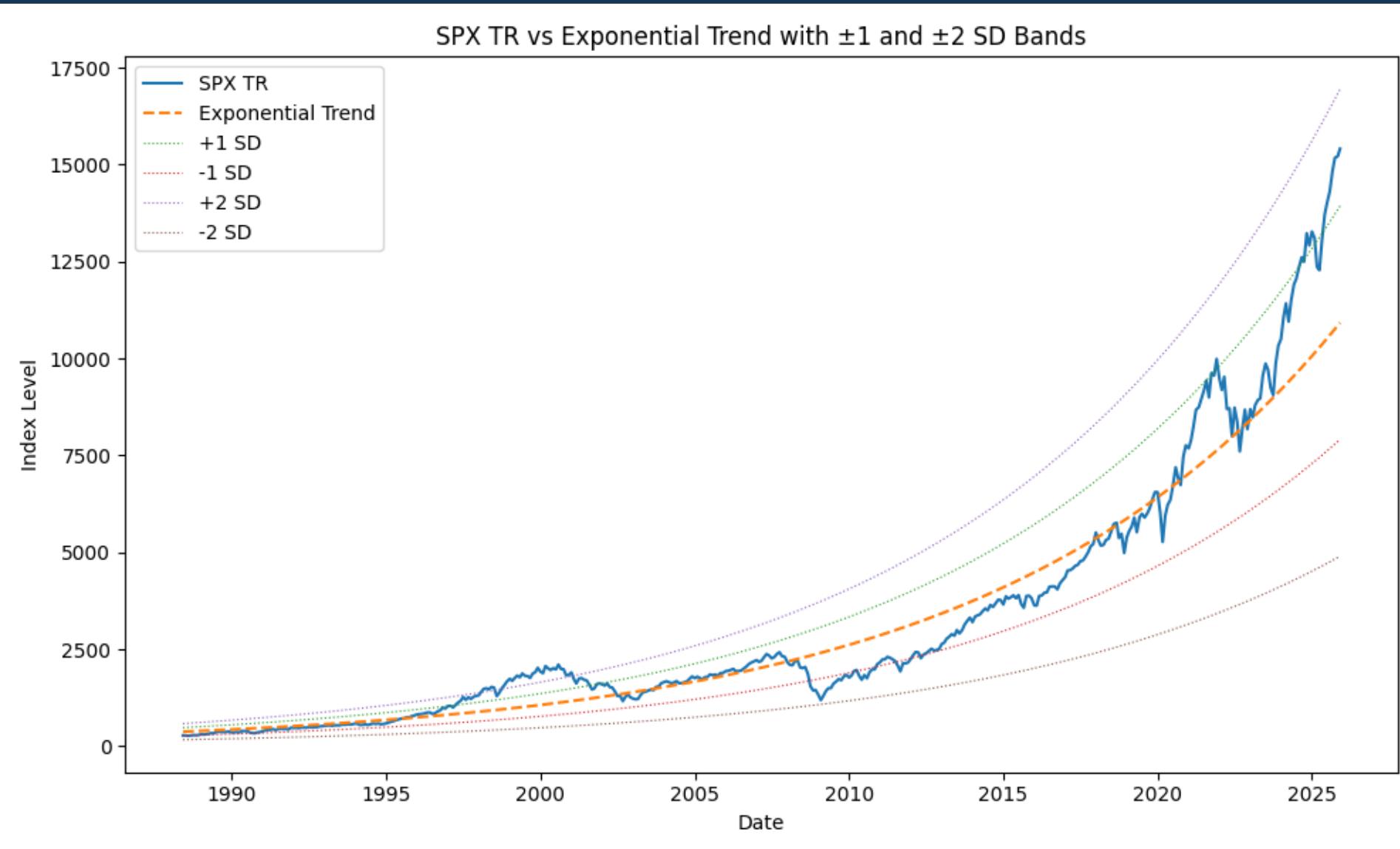
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Warren Buffett says that valuations are the highest, ever.



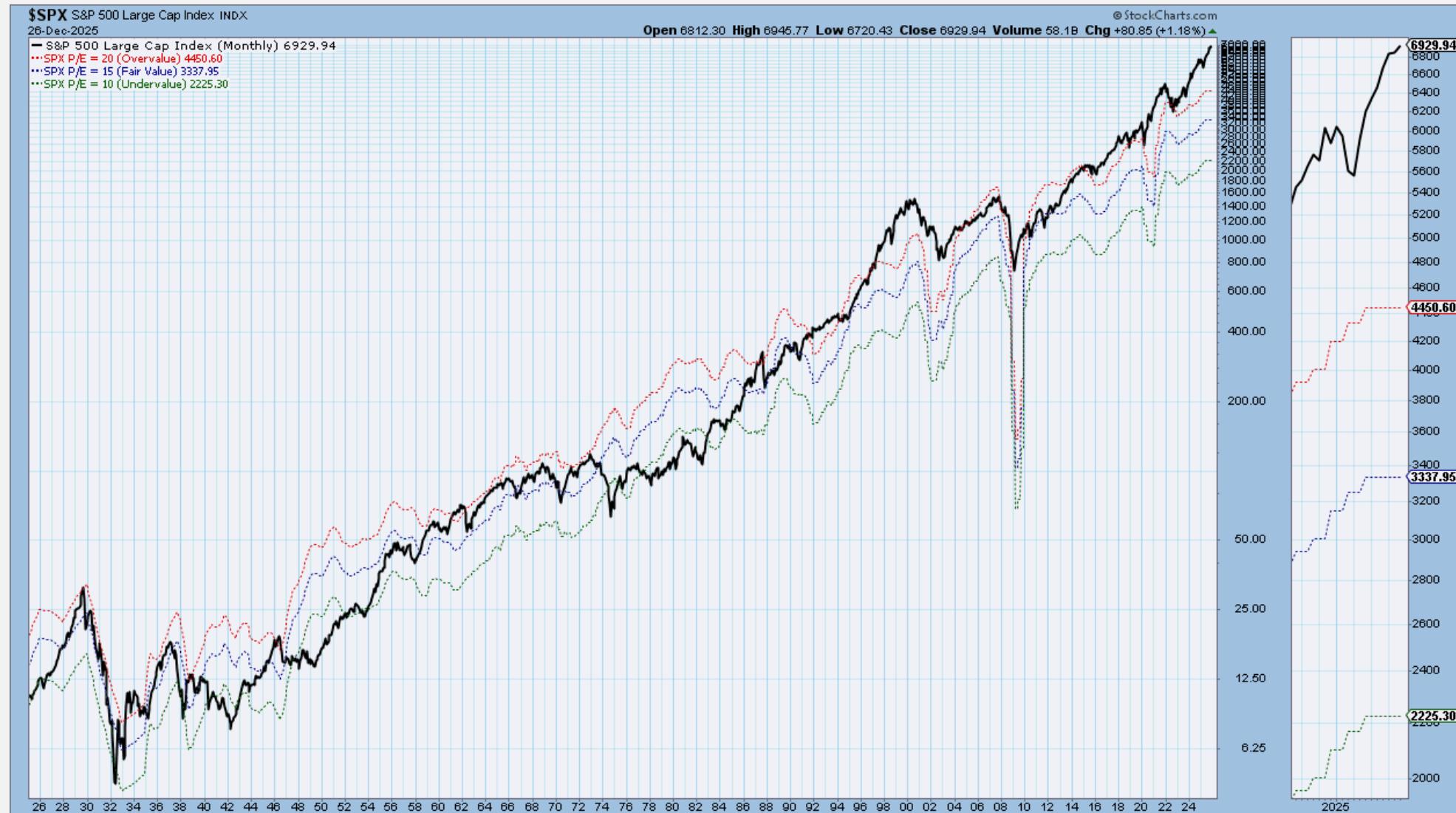
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Active > Passive for the next 10 years?



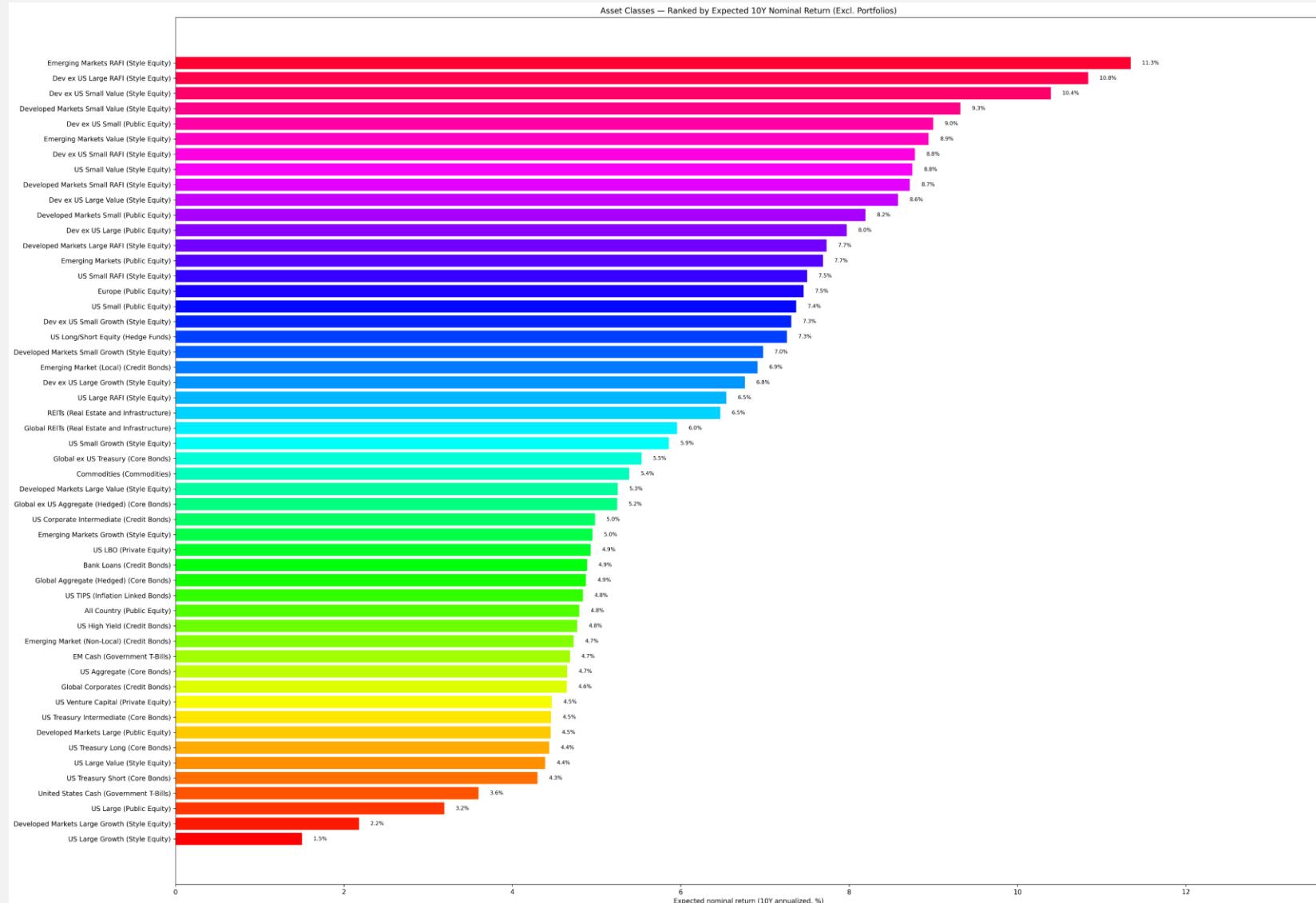
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Fair value is more than 50% below current prices



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Expected returns look good if you ignore US large cap stocks



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Exploring Beyond Large Caps



Elevated Large Cap Valuations

Large cap equities have high valuations, resulting in negative expected returns compared to holding cash.



Alternative Investment Opportunities

Investors are encouraged to seek alternatives beyond traditional large cap stocks to improve returns.



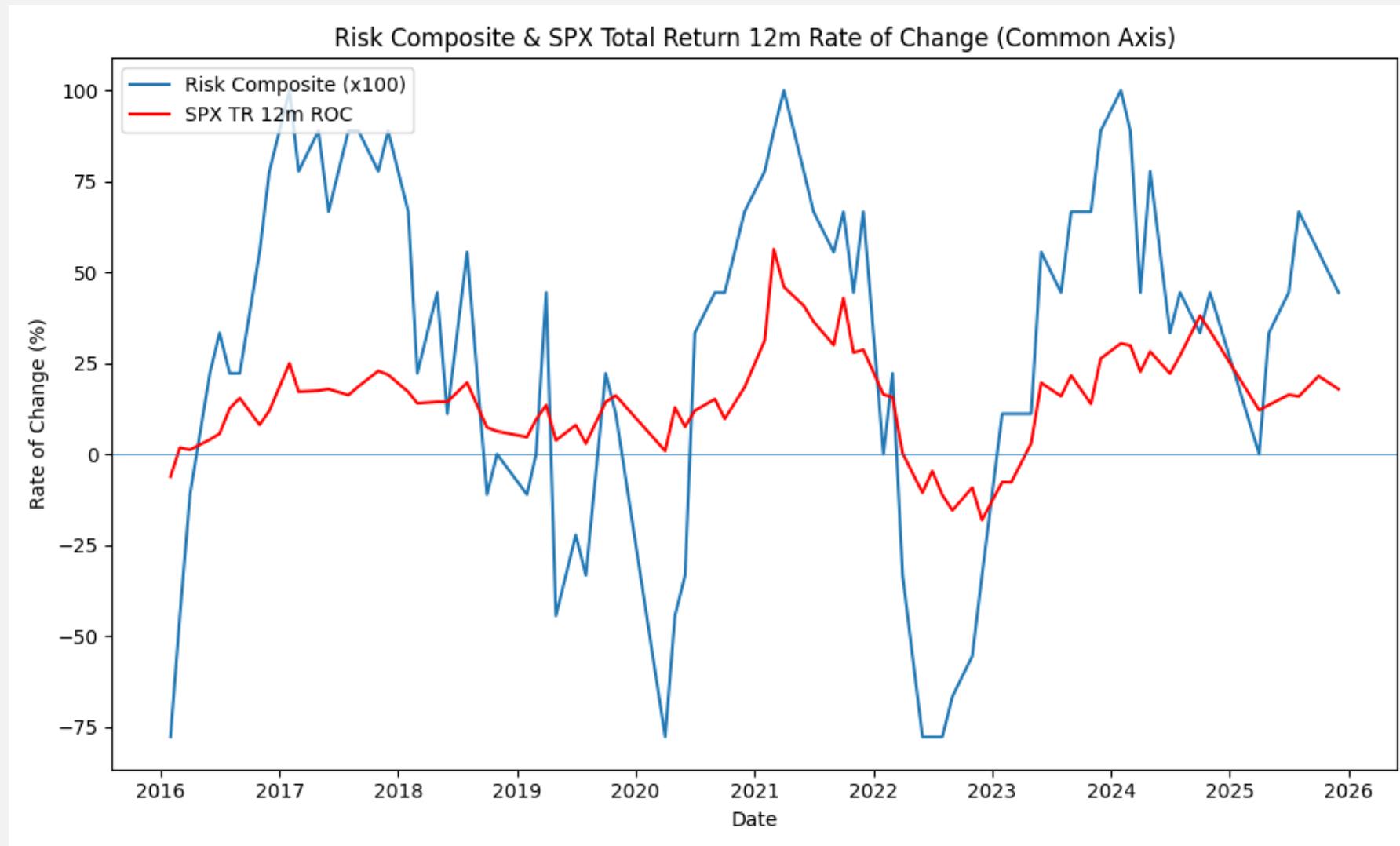
Diversification Benefits

Rotating out of passive strategies and market-cap indices enables better risk-adjusted returns through diversification.



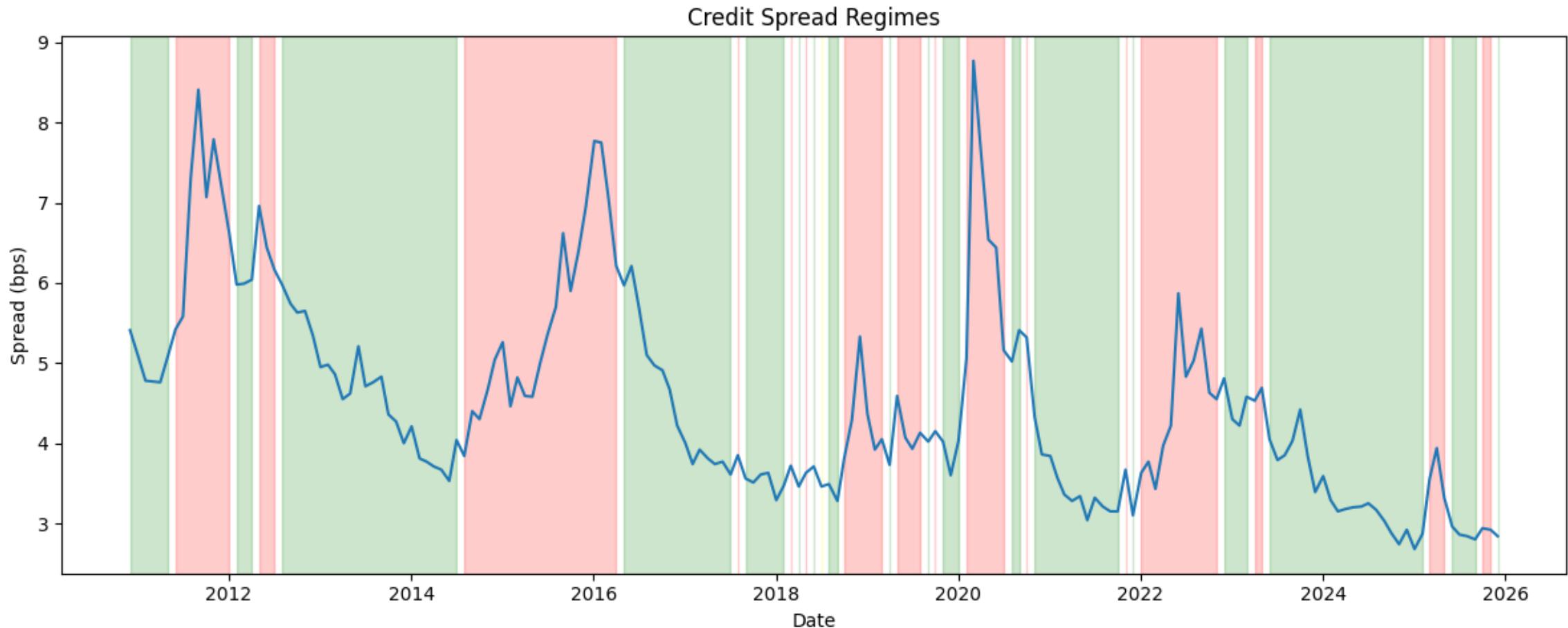
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Risk Appetite remains healthy but is diverging from equity prices



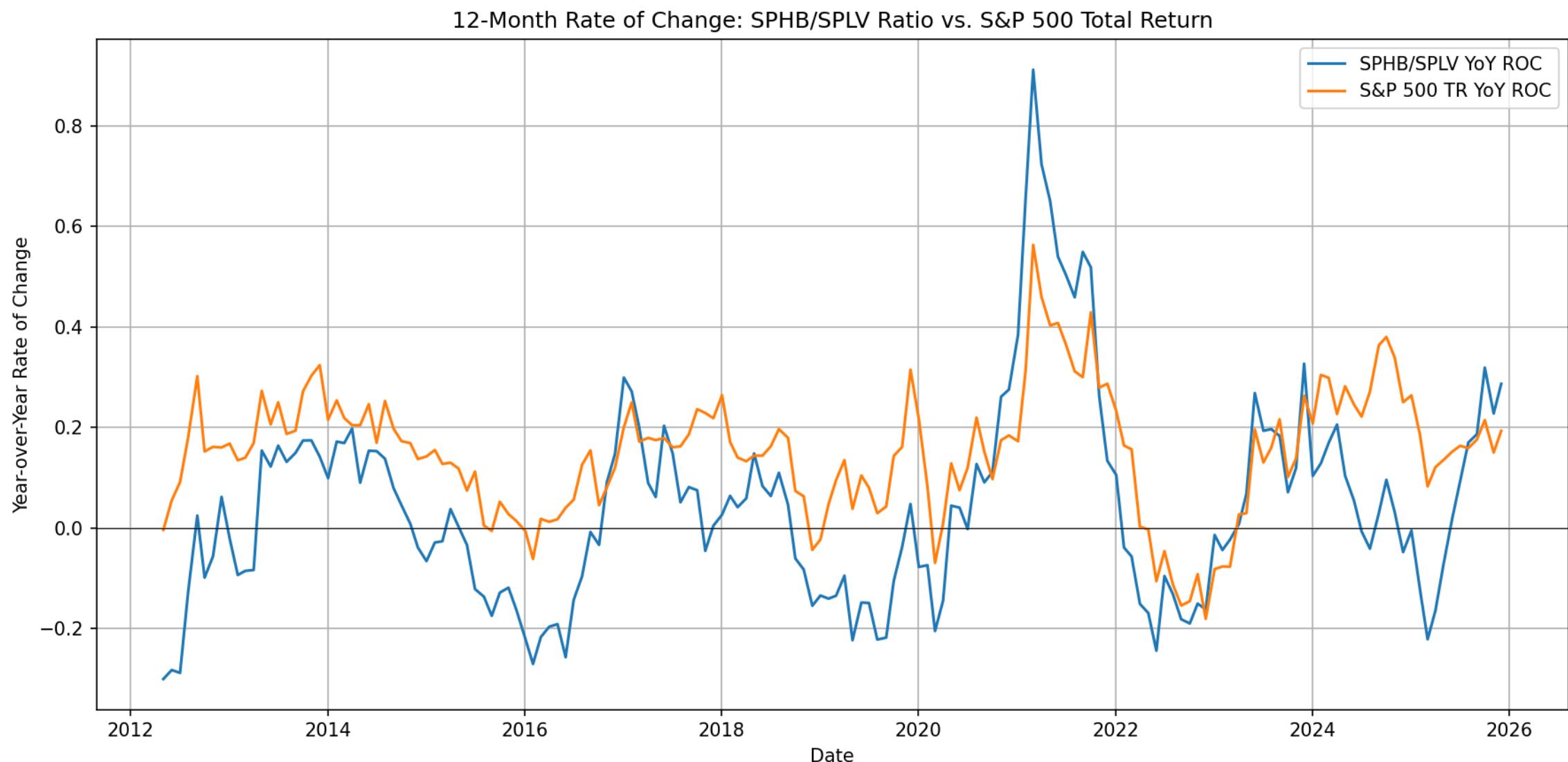
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High yield spreads are suggesting positive credit tailwinds



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High beta stocks are leading low volatility stocks- positive risk appetite



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Equity Markets: Upward Momentum

Strong Earnings Performance

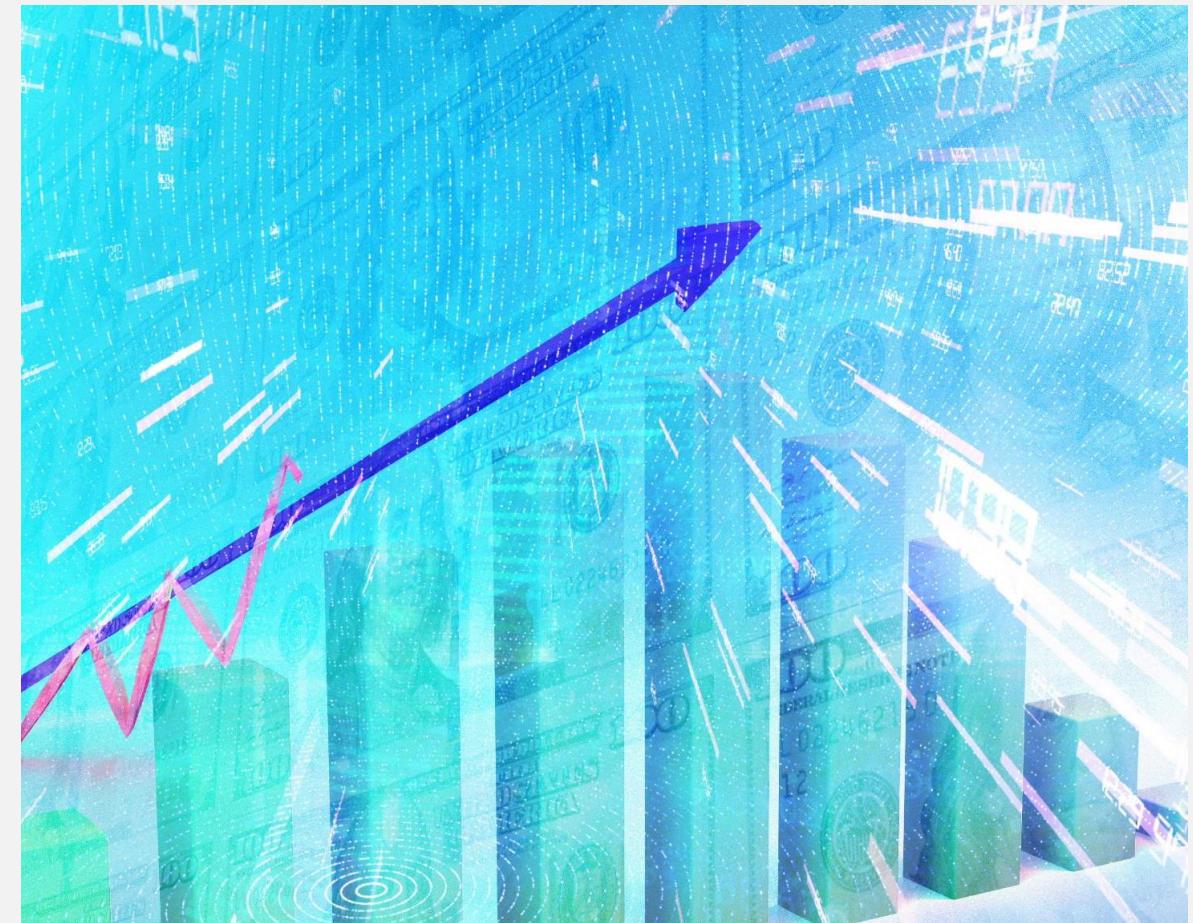
Recent corporate earnings reports show strong growth, boosting confidence and driving equity prices higher.

Robust Price Trends

Positive price trends in global equities, copper, and high beta stocks are signaling upward momentum for risk assets.

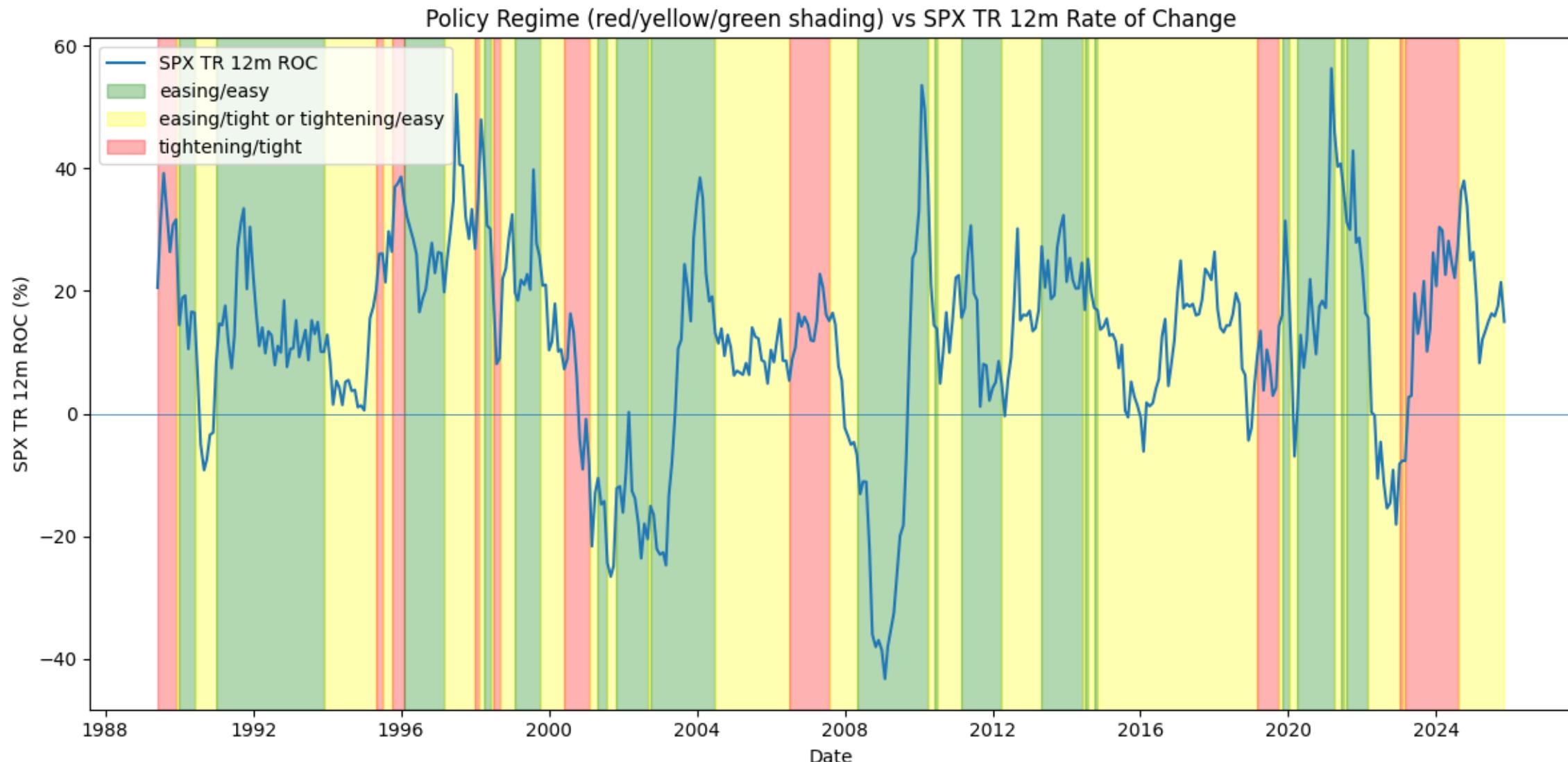
Investor Sentiment and Outlook

Optimistic investor sentiment continues to fuel equity demand, yet concerns about sustainability remain.



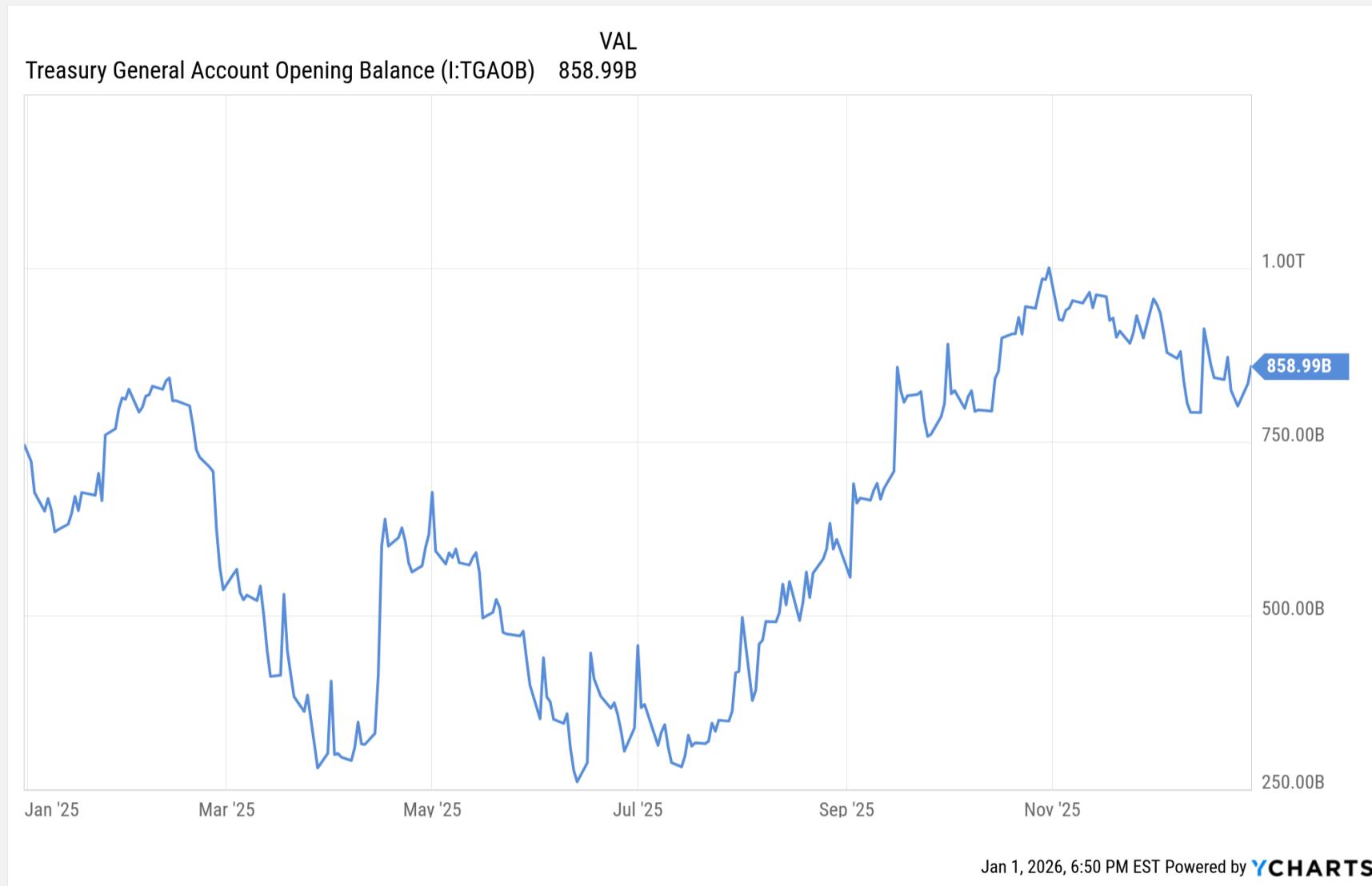
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Monetary policy in the US is getting easier but remains tight



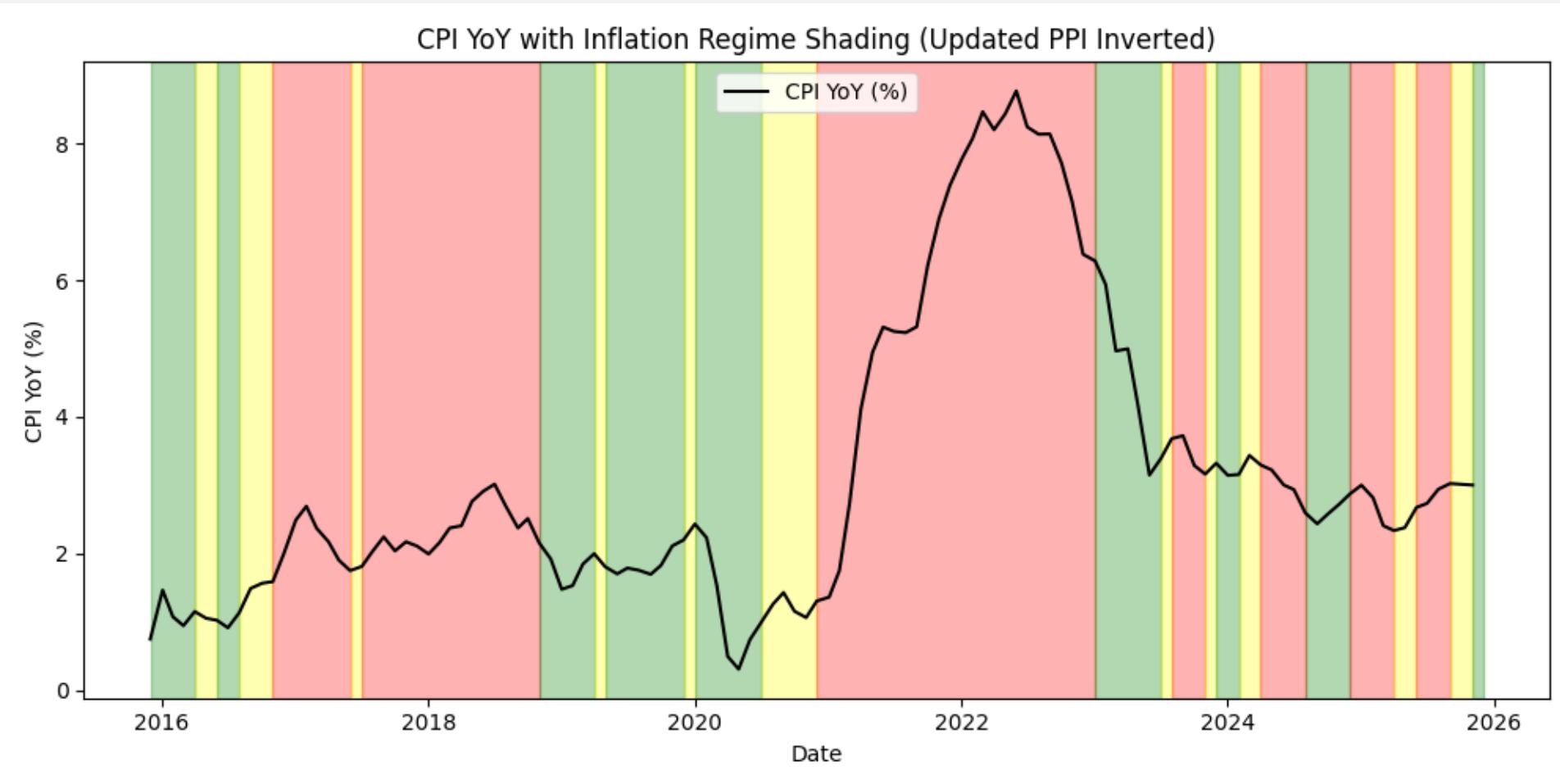
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Fiscal policy could inject liquidity into the economy



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Will inflation continue to trend lower?



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Inflation expectations suggests the trend is lower for now



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Easing Policy and Inflation

Boosting Economic Activity

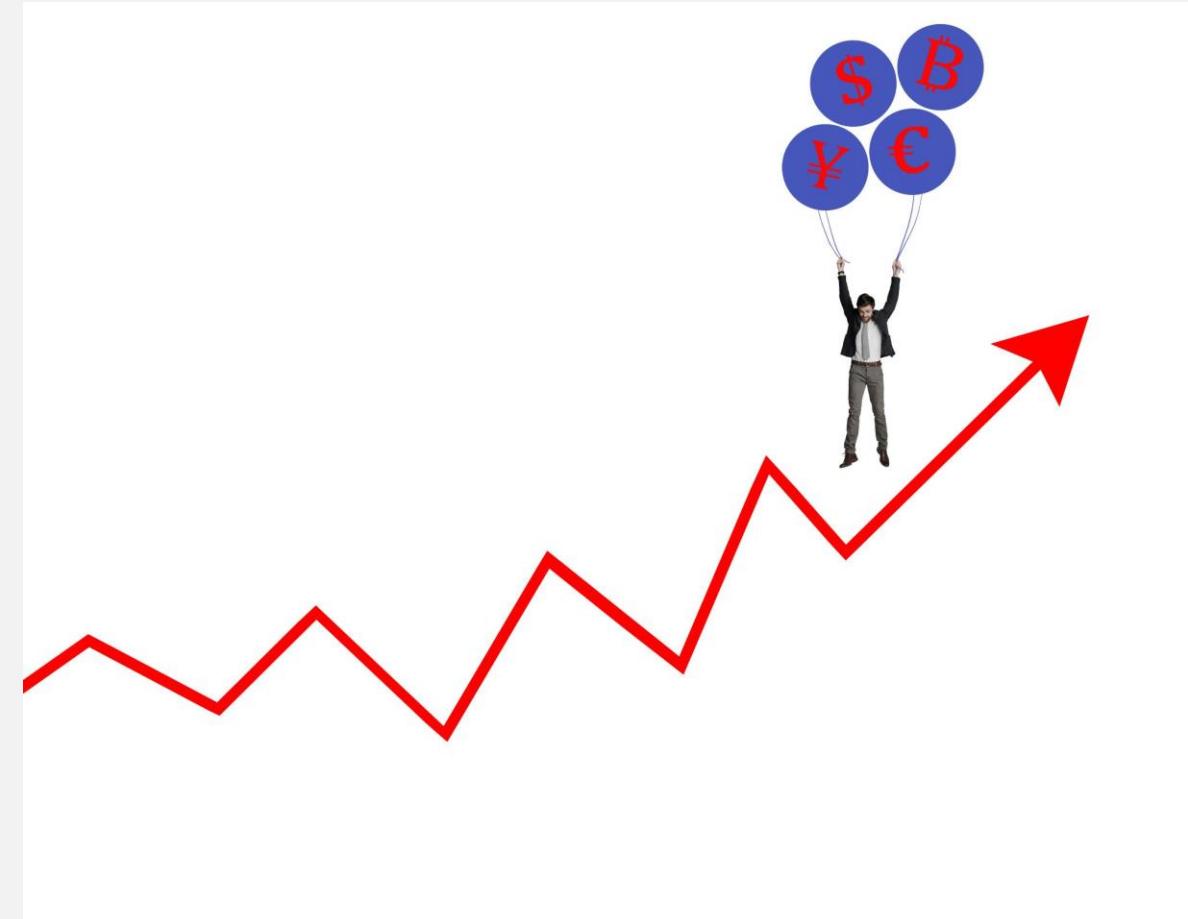
Easing monetary policy lowers borrowing costs and encourages spending, increasing overall economic activity in the market.

Inflationary Pressures

As demand rises, businesses may increase prices, resulting in heightened inflationary pressures within the economy.

Central Bank Monitoring

Central banks closely monitor inflation indicators to ensure economic growth does not compromise price stability when easing policy.



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Top Investment Opportunities 2026

Real Asset Supercycle

Rising global demand for commodities and infrastructure is expected to drive strong performance in real assets through 2026.

Value Versus Growth Stocks

Market dynamics suggest value stocks could outperform growth stocks, signaling a shift in investor preferences during 2026.

Equal-Weighted Strategy Benefits

Strategies using equal weights may provide stronger returns than traditional market cap-weighted approaches in the coming years.

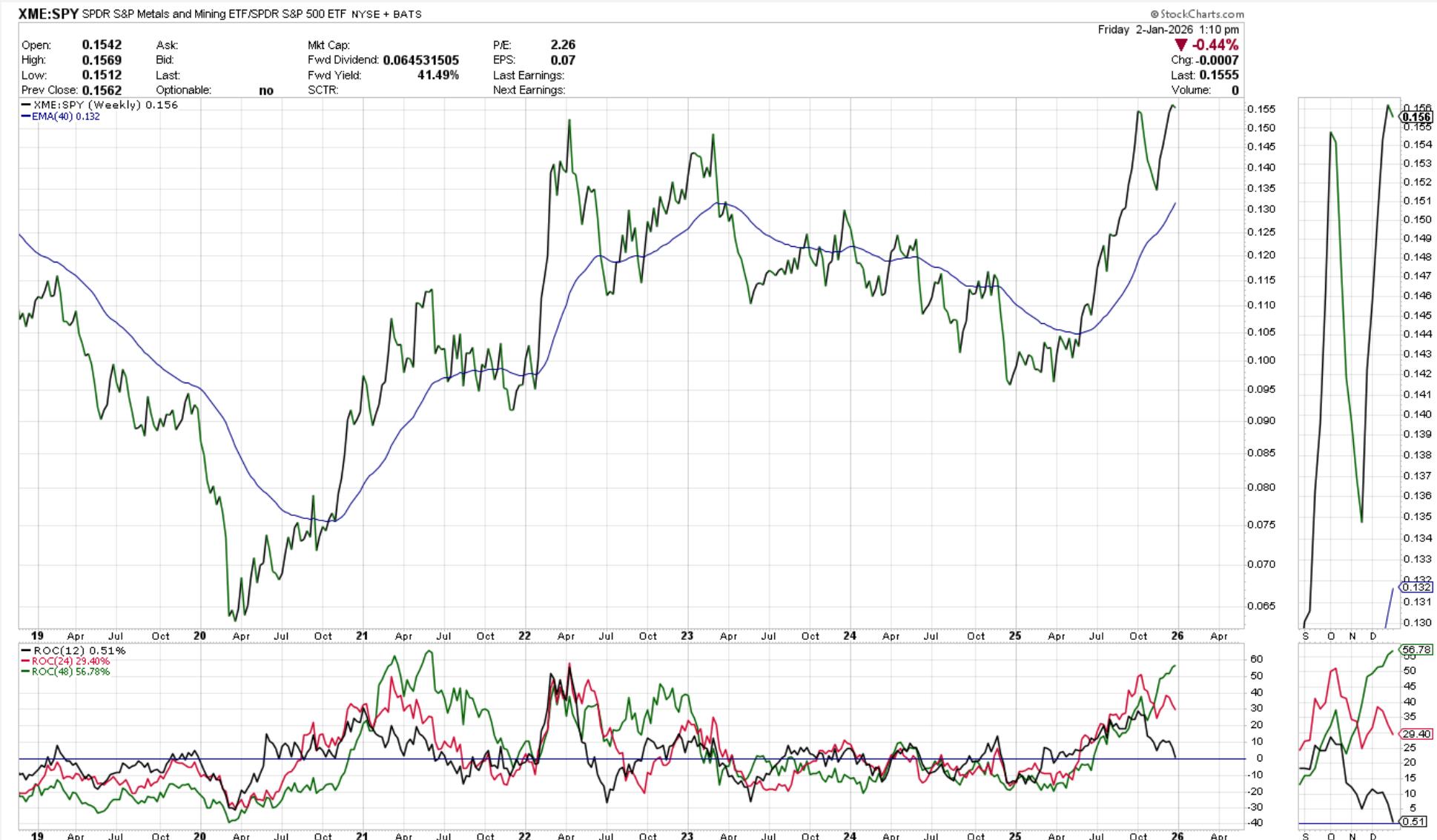
Small-Cap and Sector Rotation

Small-cap stocks are likely to outperform large-caps, and sectors sensitive to economic cycles will be favored as growth accelerates.



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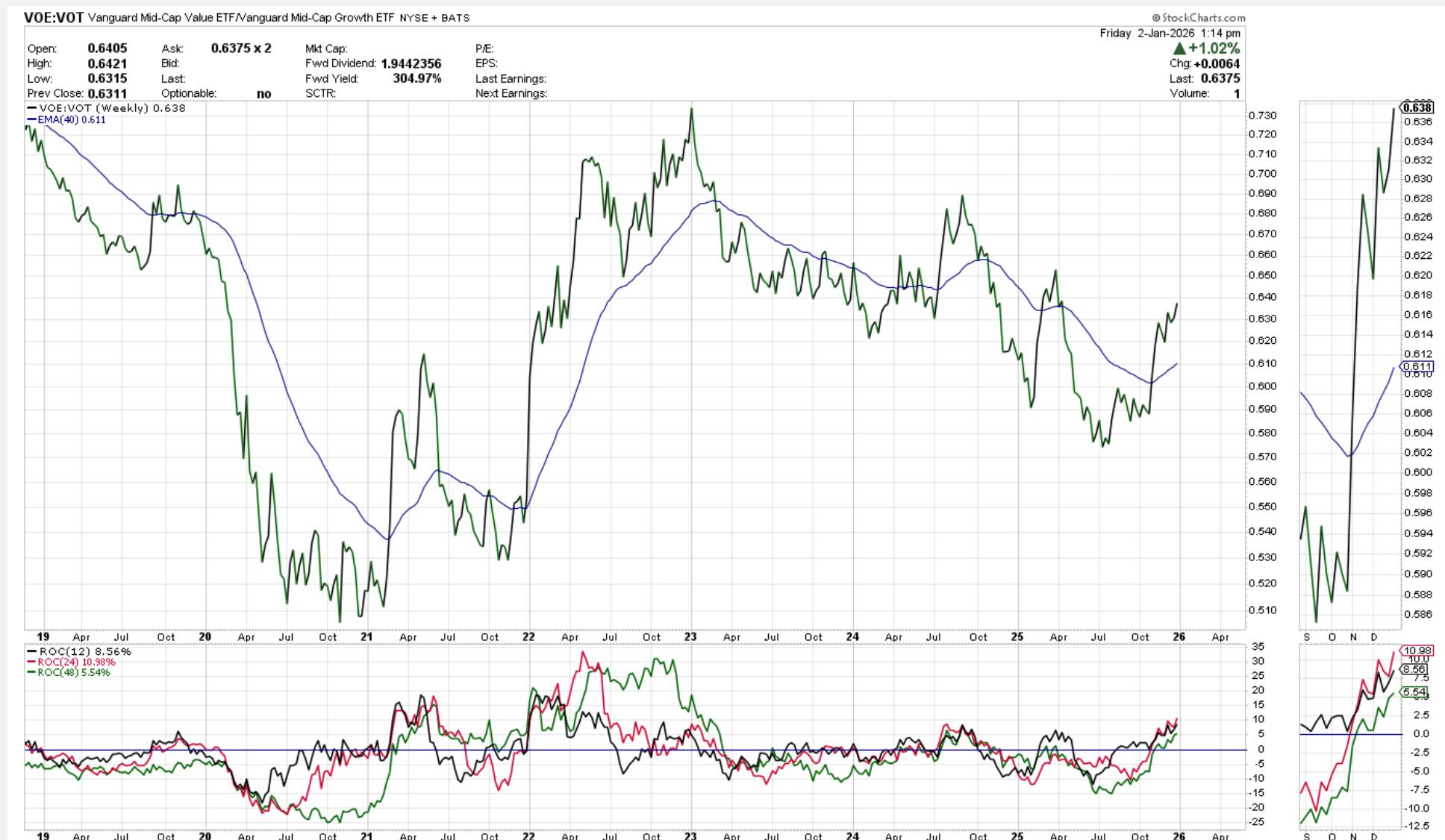
Metals and mining stocks are breaking to new highs relative to the S&P 500



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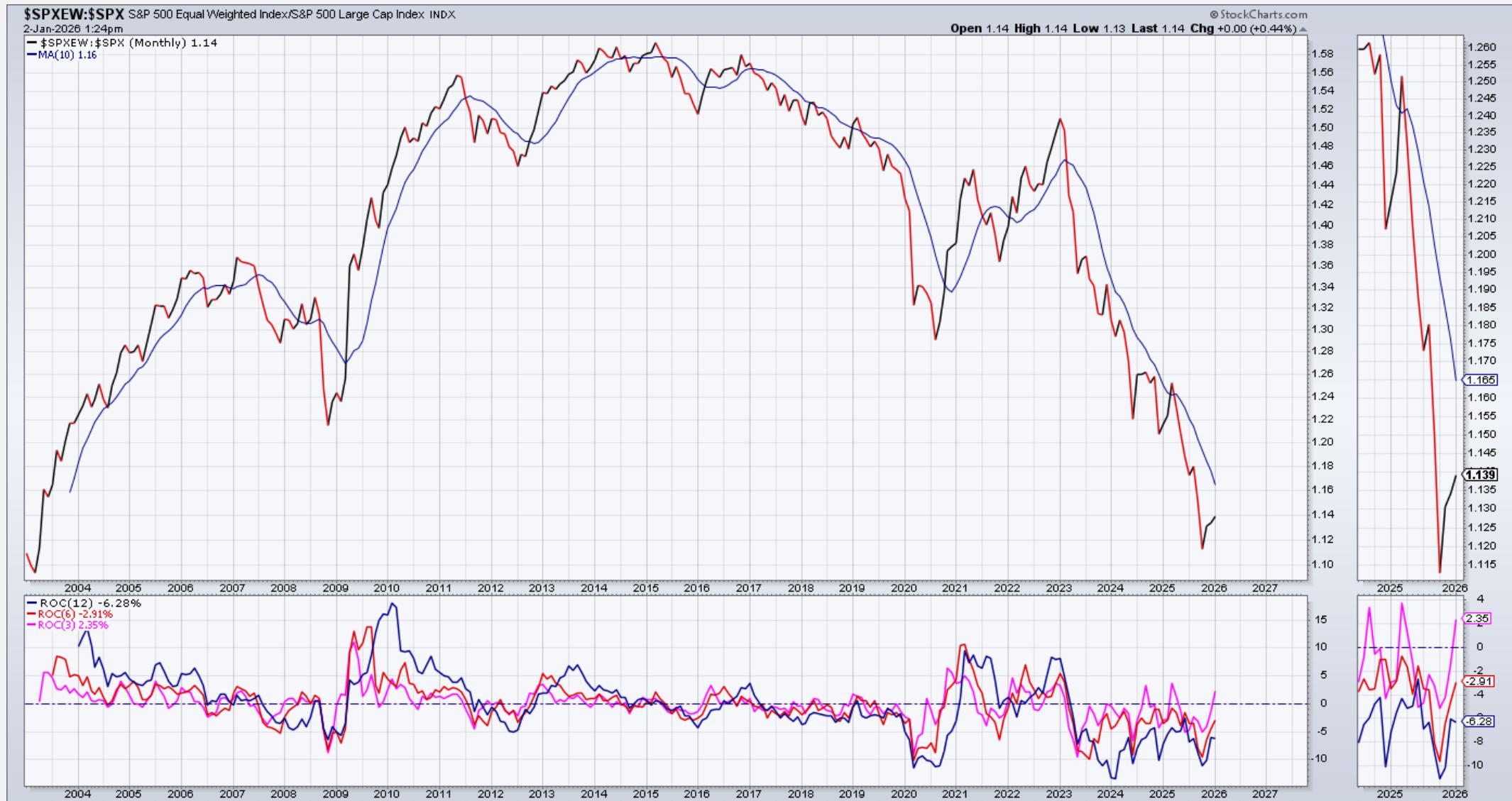


Value over growth



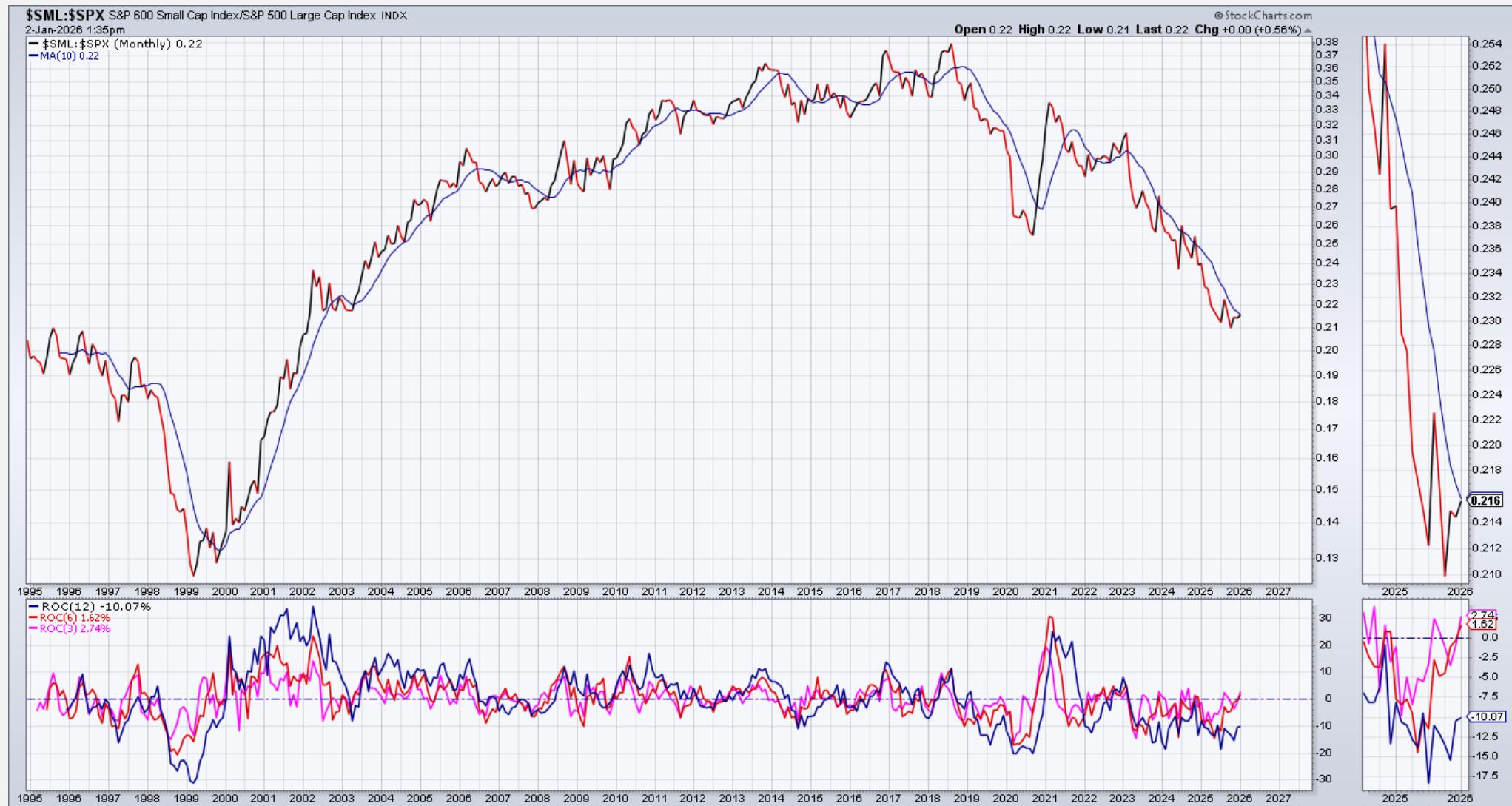
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Equal weight S&P 500 is cheap compared to market-cap weight



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Small-cap rotation



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Micro-Caps indicative of a rotation to economic sensitive areas



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Biotechnology sector moving higher against the S&P 500



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Equity Insights

Kim Abmeyer, CFA, CFP[®], EA

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U.S. Equity Market Outlook

After a roughly **16.4% total return for the S&P 500 in 2025**, driven primarily by mega-cap technology names, U.S. equities are entering 2026 at **~23.9x forward earnings** (source: Ycharts), modestly above the 10-year median of 17.3x. Consensus S&P 500 earnings are projected to grow **6–7% year-over-year**, supported by mid-single-digit revenue growth and incremental margin improvements tied to productivity gains.

Re sectors, leadership rotation is expected.

- **Information Technology** earnings growth is projected at **9%**, but valuations remain elevated (**>25x forward**).
- **Industrials and Energy Transition Infrastructure** sectors benefit from federal incentives and reshoring demand.
- **Financials**, aided by a flattening yield curve and improving credit conditions, could see earnings expand **6–8%**, yet loan growth remains constrained.
- **Defensives** (Utilities, Staples, Health Care) should offer earnings stability but limited valuation expansion.

Historical analysis suggests that when the Fed transitions from tightening to easing, **average 12-month forward equity returns are positive in 80% of occurrences**, with median returns near **9%** (source: Bloomberg, 1990–2025 data).



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Key 2026 Investment Themes

- 1. Policy Transition and Rate Normalization:** Shift from restrictive to neutral policy should anchor valuation support and compress volatility premiums.
- 2. AI Integration Phase Two:** As enterprise adoption accelerates, productivity gains could add 50–75 bps to corporate margin expansion through 2027.
- 3. Energy Transition Capex Cycle:** Global investments in grid modernization and critical materials expected to exceed \$1.9 trillion in 2026 (IEA estimate).
- 4. Resilience Premium:** Companies with strong balance sheets, positive free cash flow yield (>4%), and pricing power remain preferred holdings in a low-beta environment.
- 5. Earnings Dispersion and Active Opportunity:** The 2025–26 widening in earnings dispersion (95th–5th percentile difference at 21%) enhances the relevance of bottom-up active selection.

Base-case expectations favor **mid-to-high single-digit total returns** for global equities in 2026, driven largely by earnings growth rather than multiple expansion. Equity risk premiums remain compressed (~4.4%), implying that excess returns will rely on disciplined security selection and portfolio construction.



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Top candidates in the Growth sleeve

These names combine strong alignment with 2026 themes and high active weight versus the S&P 500 benchmark.

- **Kratos Defense & Security Solutions (KTOS)** – This is our largest active position and a pure play on rising defense and autonomous systems spend. Street forecasts call for mid-teens to 20% organic revenue growth into 2026, supported by a roughly 1.5 billion dollar contract backlog and exposure to hypersonics and unmanned platforms. This maps directly to the **policy transition / defense and reindustrialization** theme.
- **Palantir Technologies (PLTR)** – A larger weight in the Growth sleeve versus a sub-1% benchmark weight makes this a high-conviction AI infrastructure bet. Recent commentary highlights Palantir's AI Platform as a de facto operating system for enterprises, with commercial customers up roughly 65% and expanding government and "sovereign AI" deals into 2026. This is tightly linked to the **AI integration phase two** theme, as the business shifts from pilots to scaled deployment.
- **NVIDIA (NVDA)** – NVDA remains the core beneficiary of AI data-center capex, with 2026 still projected to see strong demand for accelerators and networking despite some normalization from peak growth. This is a central expression of **AI infrastructure and productivity**; the risk is primarily multiple compression rather than breakdown of the thesis.
- **Snowflake (SNOW), Shopify (SHOP), CrowdStrike (CRWD), IonQ (IONQ), Nutanix (NTNX), Okta (OKTA)** – These mid-sized growth positions are all levered to enterprise cloud, security, and AI-enabled software demand. They offer high earnings dispersion potential that suits the **active-management / earnings-dispersion** theme, but several still trade on revenue multiples and could be sensitive to any slowdown in AI-related IT budgets in 2026.



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Energy transition and copper beneficiaries

Our copper and energy holdings are well aligned with the long-term electrification and re-shoring theme, particularly in the Income sleeve where position sizes are larger.

Southern Copper (SCCO) – A 3.9% weight in Growth and 6.5% in Income makes SCCO one of your highest-conviction cross-sleeve ideas. Structural copper demand from EVs, grid build-out, and AI-driven data centers is expected to push the market into persistent deficit even if prices consolidate from recent highs. Several analyses place SCCO among the better-positioned large copper miners to benefit from this **energy-transition capex cycle**, though Peru-specific political and permitting risk remains a key variable.

• **EQT, EOG, Exxon Mobil (EQT, EOG, XOM)** – These positions give exposure to natural gas and integrated energy during a period of elevated geopolitical risk and continued demand for flexible baseload power. They fit the **resilience premium / energy security** angle of the outlook, especially as LNG and gas-fired generation backstop intermittent renewables, though they will be more cyclical and sensitive to commodity-price swings than copper miners.



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High-quality compounders and “resilience premium” names

Several larger weights in the Income sleeve represent quality cash-flow compounders that can outperform on a risk-adjusted basis if the environment plays out as “mid-cycle normalization” rather than boom-bust.

IBM, JPMorgan, AbbVie, Amgen, Costco, Apple, United Rentals, Simon Property Group – These 4–6% positions in the Income model and 2–3% positions in Growth combine strong balance sheets, positive free-cash-flow yields, and, in many cases, a proven ability to grow dividends. They align with the **resilience premium** and **rate normalization, not stimulus** themes, as they can benefit from modest multiple support if rates drift lower while continuing to compound earnings.



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Summary

Our thematic “best ideas” for 2026, before any valuation or risk constraints, are:

- **AI & digital infrastructure:** Palantir, NVIDIA, CrowdStrike, Snowflake, Shopify, IonQ, Nutanix, Okta.
- **Defense & reindustrialization:** Kratos Defense, plus indirect exposure via Palantir’s manufacturing “Warp Speed” platform and U.S. reindustrialization projects.
- **Energy transition & copper:** Southern Copper as a core beneficiary, supported by EQT/EOG/XOM as complementary energy-security plays.
- **Resilience / quality:** IBM, JPM, AbbVie, Costco, Apple, and United Rentals as lower-beta ways to participate in earnings growth with balance-sheet strength.



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The Chartered Market Technician (CMT) Program requires candidates to demonstrate proficiency in a broad range of topics in the field of Technical Analysis. The CMT designation is granted by the market technicians association (MTA). In order to be granted, the CMT designation, all candidates must successfully complete all three (3) levels of the CMT exam, obtain 'Member Status' in the MTA and have and have been gainfully employed in a professional analytical or investment management capacity for a minimum period of three (3) years and must be regularly engaged in this capacity at the time of successfully passing all three (3) levels of the CMT Exam. The CMT examination test, the critical knowledge and tasks needed to perform the duties as a technical analyst to maintain their status as a CMT charterholder, an individual must be a member of the MTA in good standing and abide by the MTA Code of Ethics.

The Certified Financial Planner (CFP) Certification is obtained by completing an advanced college–level course of study, addressing the financial planning, subject areas that the CFP board's studies have determined as necessary for the competent and professional delivery of financial planning services, a comprehensive certification exam (Administered in 10 hours over a 2 day Period) and agreeing to be bound by the CFP board's standard of professional conduct. As a prerequisite, the CFP must have a bachelor's degree from a regionally accredited, United States, college or university (or foreign university equivalent) and have at least 3 years of full-time financial planning experience (or equivalent measured at 2,000 hours per year). This designation requires 30 hours of continuing education every 2 years and renewing an agreement to be bound by the standards of professional conduct.

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