

Weekly Wire

Does 12 Months A Trend Make?

By Tim Holland, CFA

- I had a boss, an equity portfolio manager, who believed if a market performance pattern was in place on a trailing twelve months basis that a trend was firmly in place. Now, this was just one person's opinion, and it wasn't really rooted in fact, more experience and intuition, but this individual was, I think, a brilliant investor who, over a very long career, got more things right about the market than wrong. And the idea of twelve months a trend makes is the focus of this week's note, specifically as it concerns the relative performance of US small cap stocks to US large cap stocks over the past year.
- Before taking that longer look back, it is worth pointing out that US small cap stocks, as measured by the Russell 2000, are off to a tremendous start in 2026, up 7.8% year-to-date, easily outdistancing every major index our investment team tracks. As we have written about of late, we are bullish on and overweight US small cap stocks across our proprietary portfolios. As to what underpins our optimistic take on the asset class, we would point to attractive valuation, improving earnings growth, lower borrowing costs and a more benign regulatory environment.
- And as it concerns the relative performance of small cap stocks to large cap stocks over the past twelve months, the former is now outdistancing the latter, with the Russell 2000 up 18.2% and the S&P 500 up 16.7% through January 15th (see chart). Whether that trend – if that is what it is – will continue, only time will tell. But after years of underperforming their large cap peers, small cap stocks are catching a big bid and giving owners of diversified portfolios another meaningful performance boost.

JANUARY 20, 2026

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*Orion



Source: FactSet, January 15, 2026

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Looking Back to Last Week

Global equities extended early-year momentum, gaining roughly 0.5%, with leadership again coming from international markets. Non-U.S. equities continue to outperform U.S. large caps early in 2026, reinforcing the benefits of global diversification after years of narrow leadership. U.S. equity performance was mixed on the week. Small and mid-cap stocks led for the week, while large-cap benchmarks were modestly negative. Small caps are now leading asset class returns year to date. Interest rates rose modestly last week, though mortgage rates moved lower. Diversifying assets were largely flat, with core bonds, high yield, and alternatives posting minimal movement.

Inflation data came in better than expected. CPI rose 0.3% in December and is now up 2.7% year over year. PPI also matched expectations, rising 0.2% in November. Retail sales surprised to the upside, increasing 0.6% in November, reflecting continued consumer strength.

Earnings season is off to strong start, while only about 7% of companies have reported, 79% have delivered positive earnings surprises, keeping fundamentals front and center.

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Looking Ahead to This Week

This week, investors will focus on a revision to GDP and the release of the Fed's preferred inflation gauge, PCE, to confirm whether growth is slowing modestly while remaining healthy. Additionally, there are multiple earnings reports set to release this week with Netflix, Intel, and Procter & Gamble, among many others, reporting.

Federal Reserve rate cut expectations were unchanged after CPI was released last week. Markets expect a 96% probability that rates remain unchanged at the January 28 meeting. While two cuts in 2026 remain the base case, outcomes remain widely dispersed as investors await clarity on Fed leadership and the path of rates.

Atlanta Fed GDPNow rose again on its last reading, currently estimating Q4 GDP at 5.3%, driven largely by net exports, reinforcing the narrative of economic resilience rather than imminent slowdown.

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Stocks, Bonds, Alternatives, & Real Assets as of January 16, 2026

Security Name	Risk Score	1 Week	1 Month	QTD	YTD	1 Year	3 Year Ann.
Global Equities (60% US, 40% Intl)	100	0.53%	3.97%	2.73%	2.73%	25.87%	19.68%
S&P 500 Total Return	102	-0.36%	2.15%	1.44%	1.44%	18.39%	21.90%
Dow Jones Industrial Average	97	-0.28%	2.64%	2.74%	2.74%	16.35%	15.07%
NASDAQ 100 Total Return	122	-0.91%	1.61%	1.13%	1.13%	21.90%	31.32%
TV Benchmark	107	-0.52%	2.13%	1.77%	1.77%	18.88%	22.76%
Morningstar US Large Cap	102	-0.67%	1.61%	0.74%	0.74%	19.79%	24.45%
Morningstar US Mid Cap	113	0.78%	3.97%	4.16%	4.16%	11.42%	13.29%
Morningstar US Small Cap	125	1.30%	5.88%	6.31%	6.31%	15.81%	14.14%
Morningstar US Value	98	0.44%	3.53%	3.13%	3.13%	17.87%	13.92%
Morningstar US Growth	126	0.66%	4.03%	3.89%	3.89%	15.72%	24.13%
MSCI ACWI Ex USA	98	1.61%	6.35%	4.06%	4.06%	37.93%	16.78%
MSCI EAFE	101	1.40%	4.91%	3.45%	3.45%	35.14%	16.49%
MSCI EM	98	2.27%	9.92%	5.78%	5.78%	43.14%	16.23%
Bloomberg US Agg Bond Index	27	-0.14%	0.24%	0.01%	0.01%	7.31%	3.73%
Bloomberg High Yield Corp Bond Index	41	0.17%	1.13%	0.56%	0.56%	8.52%	8.89%
Bloomberg Commodity Index	70	1.38%	5.97%	3.72%	3.72%	13.58%	5.55%
Wilshire Liquid Alternative Index	25	-0.13%	0.15%	0.54%	0.54%	5.87%	5.22%
MSCI US REIT	104	2.91%	4.91%	4.64%	4.64%	7.60%	7.95%
US Dollar	10	0.39%	1.03%	1.02%	1.02%	-8.95%	-0.95%
Bloomberg US Treasury Bill 1-3mo	1	0.07%	0.33%	0.17%	0.17%	4.29%	4.93%

Source: Morningstar.

The TV Benchmark represents an average of the S&P 500, Dow Jones IA, and NASDAQ 100 return indexes

The Orion Risk Score represents risk relative to the global equity market.



We hope you have a great week. If there's anything we can do to help you, please feel free to reach out to ben.vaske@orion.com or opsresearch@orion.com.

Interest Rates as of January 16, 2026

Rate	This Week	1 Week
13-Wk Treasury Yield	3.56%	0.04%
10-Yr Treasury Yield	4.23%	0.06%
Bloomberg US Agg Yield	4.38%	0.05%
Avg Money Mkt Yield	3.51%	-0.03%
Avg 30-Yr Mortgage Rate	6.19%	-0.03%

Sources: Yahoo Finance, S&P Global, Crane Data, BankRate

Key Economic Data Last Week

Data Point	Expectation	Actual
Consumer Price Index (CPI) YoY - Dec	2.7%	2.7%
Core CPI YoY - Dec	2.8%	2.6%
U.S. New Home Sales - Oct	710,000	737,000
Retail Sales - Nov	0.4%	0.6%
Producer Price Index (PPI) YoY - Nov	--	3.0%
Core PPI YoY - Nov	--	3.5%
Existing Home Sales	4.22M	4.35M

Source: MarketWatch, First Trust

Key Economic Data This Week

Data Point	Expectation	Release Date
Third Quarter GDP (First Revision)	4.3%	1/22/26
Personal Consumption Expenditures (PCE) YoY	--	1/22/26
Core PCE YoY	--	1/22/26
Consumer Sentiment	54.0	1/23/26

Source: MarketWatch

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