



## HCM Market Brief – February 6, 2026

In the inaugural episode of the HCM Market Podcast, Senior Investment Strategist Doug Johnson CFA and Investment Strategist and Investment Committee member Dan Rinck introduce a new communication format designed to provide clients with more frequent, conversational insights into market developments. Created in response to client feedback, the podcast is intended to complement HCM's monthly webinars by offering deeper discussion on fewer topics, with a more informal and timely approach. The goal is to publish episodes on a bi-weekly cadence, while remaining flexible if market conditions warrant more frequent updates.

The discussion opens with a dramatic market event: an extraordinary selloff in precious metals. Silver experienced a staggering single-day decline of roughly 35%, one of the largest percentage moves in decades, while gold fell by approximately 10–12%. Such moves are extremely rare in commodity markets and reflect a level of volatility more commonly associated with individual stocks. Despite the severity of the decline, both metals remained solidly positive year-to-date, underscoring just how aggressive the preceding rally had been.

Johnson and Rinck attribute the sharp reversal to a combination of factors. First, the metals rally had increasingly attracted speculative capital, shifting away from its original role as a hedge against dollar debasement and toward momentum-driven trading. As with most parabolic moves, the rally became unsustainable. From a technical perspective, silver and gold had risen far above their long-term moving averages, a condition that rarely resolves without a sharp correction.

Second, margin requirement increases by the CME Group forced leveraged traders to post additional collateral or reduce positions, potentially triggering forced selling. Finally, the announcement of Kevin Warsh as the likely next Federal Reserve Chair added a macro catalyst. Warsh's reputation as a "hard money" policymaker surprised markets that had largely assumed the next Fed Chair would pursue aggressively accommodative policies. This shift sparked a rapid dollar rally, rising interest rates, and a broad reversal in assets that had benefited from a weakening dollar—including precious metals and certain international and small-cap value stocks.

Despite the volatility, Johnson emphasizes the importance of distinguishing between investing and trading. For long-term investors who hold gold as protection against fiscal excess, rising debt levels, and dollar debasement, the correction may represent little more

than a temporary setback. However, for short-term traders, the episode highlights the risks of chasing momentum in highly leveraged markets.

The conversation then broadens to equity market leadership and recent rotations. Over the past several months, international stocks, small caps, and value-oriented sectors have significantly outperformed, driven in part by a declining dollar. The sudden strengthening of the dollar following the Fed Chair announcement briefly disrupted this trend, raising the question of whether the rotation is merely pausing—or reversing entirely.

Johnson and Rinck express cautious skepticism that this marks a permanent shift away from U.S. large-cap dominance. Over the past decade, the S&P 500 has consistently outperformed other equity segments, with only short-lived periods of leadership from small caps, international stocks, or value. While today's valuation gaps suggest substantial long-term potential for these "unloved" areas, a durable regime change would likely require a major catalyst, such as sustained dollar weakness or structural changes in economic growth.

Artificial intelligence emerges as a central theme in this debate. While much of the excitement around AI has focused on mega-cap technology companies, the speakers note that AI's ultimate impact will be through productivity gains across the broader economy. In theory, this could benefit small-cap and value companies by improving efficiency and margins. However, Rinck argues that the largest companies are currently best positioned to monetize AI, given their scale, capital resources, and operational leverage. As a result, AI may ultimately reinforce—not disrupt—large-cap leadership.

This tension is especially evident in the software sector, which has experienced significant underperformance despite largely unchanged fundamentals. Many software stocks have been aggressively sold amid fears that AI could replace traditional software development altogether. Johnson and Rinck view this narrative with caution, noting that these companies continue to generate strong cash flows, maintain loyal customer bases, and operate with minimal debt. While AI may alter how software is built and delivered, the current selloff may reflect sentiment rather than fundamental deterioration, potentially creating long-term opportunities.

The podcast also touches on broader economic conditions, which remain surprisingly strong. Employment data is solid, GDP growth expectations are elevated, and corporate earnings growth is running near double-digit levels. These indicators make a deep market drawdown unlikely absent a significant external shock. While a typical 10–15% correction is always possible, the speakers see little evidence of systemic stress in the current data.

Energy is discussed as another area of interest. While energy has been one of the top-performing sectors, which historically can precede market weakness, oil prices remain relatively low. The strength may reflect rising energy demand tied to AI infrastructure and data center expansion rather than traditional cyclical pressures.

Turning to fixed income, Johnson and Rinck emphasize that bonds—though less exciting—remain a crucial component of client portfolios. After the challenging environment of 2022, higher starting yields have significantly improved return prospects. With yields around 4–5%, investors can earn meaningful income without relying heavily on price appreciation. HCM has reduced cash and money market exposure in favor of locking in higher yields and has incorporated alternative fixed-income strategies to help manage interest rate risk.

Inflation is identified as the primary wildcard for bonds in 2026. However, absent a major shock, both speakers believe inflation is trending toward the Fed's target over the next 12–24 months, supporting a relatively stable outlook for fixed income.

The episode concludes on a lighter note with a brief Super Bowl discussion, reinforcing the podcast's informal tone. Johnson and Rinck close by reiterating their commitment to transparency, client feedback, and adaptability. They encourage listeners to share topics of interest and questions for future episodes, reinforcing the podcast's role as an open, ongoing dialogue rather than a one-way market update.

Overall, the first HCM Market Podcast paints a picture of a market that is volatile but fundamentally healthy, with meaningful opportunities emerging amid narrative-driven dislocations. While cautious about declaring a major regime shift, Johnson and Rinck emphasize patience, diversification, and discipline as the guiding principles in an increasingly complex investment landscape.