

# Economic Update

A Closer Look at Q4 2025 Data

Released: January 2026



**RIVERGLADES**  
A MULTIFAMILY OFFICE



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## Market Data

Charts and Tables Highlighting the Performance of Stock Market Indicators and Asset Classes.



# Stock Market Performance

- Dow Jones Composite Average Total Return (\*DTWC) Level % Change 4.48%
- S&P 500 Total Return (\*SPXTR) Level % Change 2.65%
- Nasdaq Composite Total Return (\*NACTR) Level % Change 2.72%

## Domestic Indexes



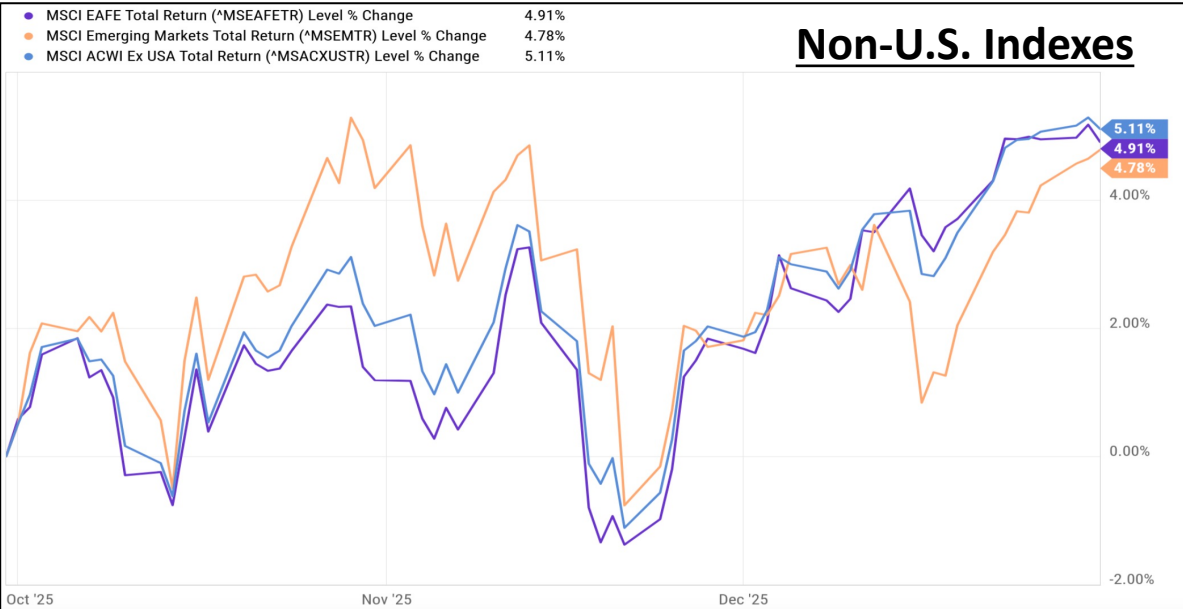
Outside the U.S., the major indexes finished the year rallying towards all time highs. The developed international markets were up 4.9% and the emerging markets index jumped 4.8%.

The Non-U.S. equity markets benefited from a weaker U.S. Dollar, improving corporate earnings, and increased capital flows into international equities as investors sought greater diversification in their portfolios.

During the 4th quarter the U.S. equity markets moved higher before trimming gains as year end approached. The Dow Jones Industrial Average rose 4.5%, while the Nasdaq and the S&P 500 added 2.7%.

The markets continued their bullish moves bolstered by strong earnings reports especially from the financial and tech sectors, better than expected inflation numbers (note that October's results were reported as unchanged due to the government shutdown), and the Federal Reserve announcing another 0.25% rate cut in December.

Source: YCharts, 1/2/26





# U.S. Sector Performance

Sensitive Sectors	Q4 2025 Return
Technology Select SPDR® ETF	2.16%
Industrial Select Sector SPDR® ETF	0.58%
Energy Select Sector SPDR® ETF	0.09%
Communication Services Select Sector SPDR® ETF	-0.55%

Defensive Sectors	Q4 2025 Return
Health Care Select Sector SPDR® ETF	11.23%
Consumer Staples Select Sector SPDR® ETF	-0.88%
Utilities Select Sector SPDR® ETF	-2.10%

Cyclical Sectors	Q4 2025 Return
Financial Select Sector SPDR® ETF	1.67%
Materials Select Sector SPDR® ETF	1.21%
Consumer Discretionary Select SPDR® ETF	-0.34%
Real Estate Select Sector SPDR® ETF	-4.22%

Source: YCharts, 1/2/26

During the 4<sup>th</sup> quarter, while the overall S&P 500 index posted a gain of 2.7%, the performance by sector ranged from 11.2% to -4.2%.

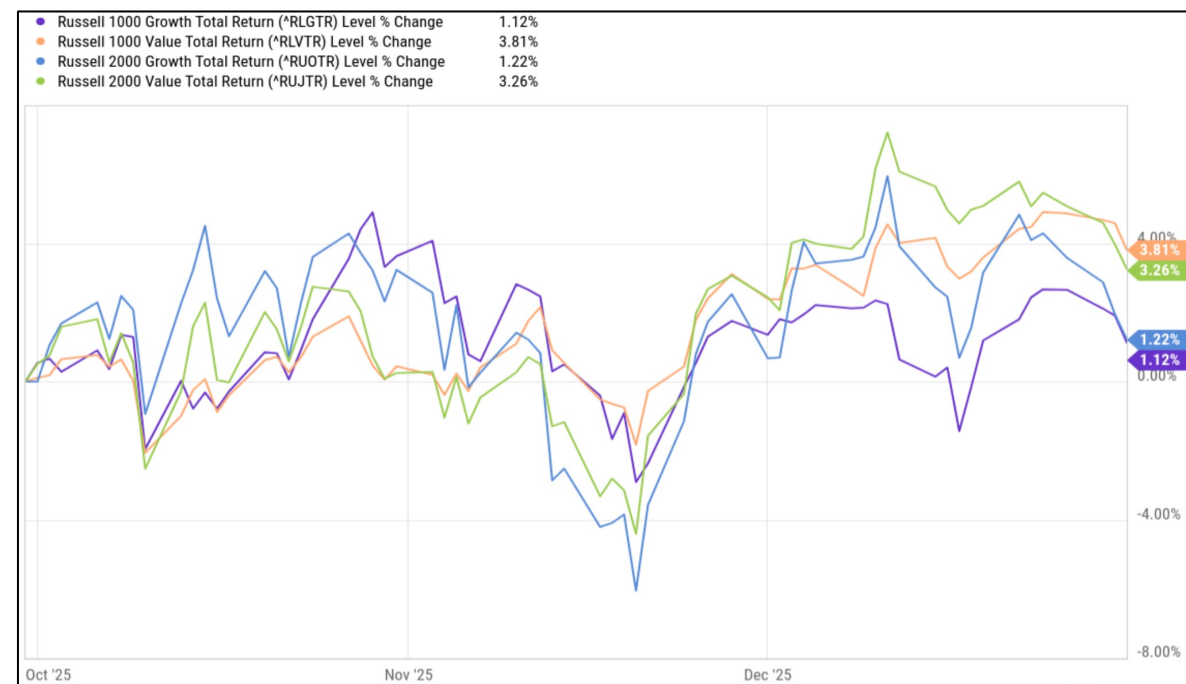
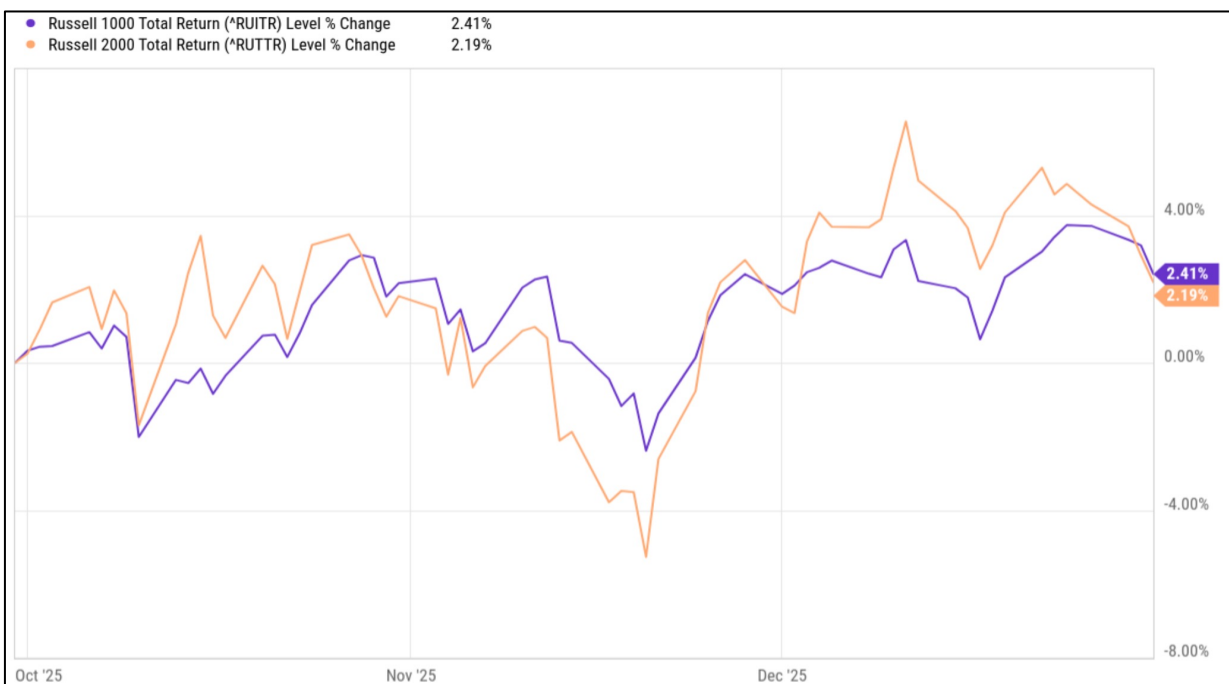
The S&P 500's move higher during the quarter was led by Health Care (11.2%) While Real Estate (-4.2%) and Utilities (-2.1%) weighed on returns.

At the end of the third quarter, President Trump began to announce a series of “deals” stemming from conversations with many of the major Pharma companies. On November 6<sup>th</sup>, the White House released the outline of the “Most Favored Nation” terms that the President had agreed to with these Health Care companies. These announcements provided greater clarity to the President’s plans and gave confidence to investors that the worst-case scenarios were off the table leading to a sharp rise in Health Care stock prices.

While quick sector swings from quarter to quarter are often difficult to capitalize on, the intermediate and longer trends should provide opportunities for investors focused on strategically over- or under-weighting their exposure to certain sectors.



# Large Cap vs. Small Cap, Growth vs. Value



Source: YCharts, 1/2/26

In the past RiverGlades has shared a preference for avoiding the growth/value distinction. Instead favoring a tactical sector level allocation or embracing the broader indexes. However, monitoring the trends between value and growth can be informative and worth checking on from time to time. As captured in the chart above left, Large Cap stocks represented by the Russell 1000 Index and Small Cap stocks represented by the Russell 2000 index posted similar returns in the fourth quarter. The chart to the right, breaks down the Russell 1000 and Russell 2000 by both growth and value. Both Large Cap Value and Small Cap Value indexes outperformed their Large Cap peers during the quarter, however only by a couple of percent.

Over the past 5 years, Large Cap Growth has outperformed Large Cap Value by over 33% and over the past 10 years Large Cap Growth has outperformed Large Cap Value by over 257% on an absolute basis when looking at cumulative total returns. Many investors have been calling for a rebound in value stocks over the past decade, and it still hasn't occurred. This shouldn't come as a surprise, because most of the real growth has been occurring in tech and tech-related companies.





# Asset Class Performance

## Key ETF Total Returns Across Asset Classes (%)

US Related					Global				
ETF	Description	YTD	Q4	2025	ETF	Description	YTD	Q4	2025
SPY	S&P 500	1.8	2.7	17.7	EWA	Australia	0.3	-1.3	13.4
DIA	Dow 30	3.1	4.0	14.7	EWZ	Brazil	4.1	6.2	48.9
QQQ	Nasdaq 100	2.1	2.5	20.8	EWC	Canada	1.3	7.6	35.9
IJH	S&P Midcap 400	4.7	1.6	7.4	ASHR	China	3.2	1.9	27.0
IJR	S&P Smallcap 600	5.2	1.6	5.9	EWQ	France	2.0	2.9	28.9
IWB	Russell 1000	2.0	2.5	17.2	EWG	Germany	2.2	2.1	35.8
IWM	Russell 2000	5.7	2.1	12.7	EWH	Hong Kong	5.0	1.8	34.5
IWV	Russell 3000	2.1	2.4	17.0	PIN	India	-1.3	4.1	1.3
					EWI	Italy	1.3	6.0	55.7
IVW	S&P 500 Growth	1.2	2.2	21.9	EWJ	Japan	4.8	4.5	25.9
IJK	Midcap 400 Growth	4.6	1.2	7.3	EWX	Mexico	2.6	3.6	53.7
IJT	Smallcap 600 Growth	4.5	0.1	5.3	EWP	Spain	1.1	10.4	78.0
IVE	S&P 500 Value	2.6	3.2	13.0	EIS	Israel	7.2	10.8	45.1
IJJ	Midcap 400 Value	4.8	2.1	7.3	EWU	UK	1.8	6.8	35.0
IJS	Smallcap 600 Value	5.9	3.3	6.5					
DVY	DJ Dividend	3.2	0.5	11.6	EFA	EAFE	2.9	4.7	31.6
RSP	S&P 500 Equalweight	3.2	1.4	11.2	EEM	Emerging Mkts	4.4	3.9	34.0
					IOO	Global 100	1.5	5.9	27.0
FXB	British Pound	-0.5	0.8	10.4	BKF	BRIC	2.1	-2.1	22.3
FXE	Euro	-1.0	0.3	14.5	CWI	All World ex US	3.1	4.7	32.7
FXF	Yen	-0.8	-5.7	0.1					
					DBC	Commodities	2.4	2.5	8.1
XLY	Cons Disc	4.2	-0.1	7.4	DBA	Agric. Commod.	1.0	-1.2	-0.6
XLP	Cons Stap	2.0	-0.1	1.5	USO	Oil	2.4	-6.2	-8.5
XLE	Energy	4.4	0.9	7.9	UNG	Nat. Gas	-15.3	-6.2	-27.1
XLF	Financials	1.8	2.0	14.9	GLD	Gold	4.6	11.5	63.7
XLV	Health Care	1.7	11.7	14.5	SLV	Silver	12.3	52.0	144.7
XLI	Industrials	4.5	0.9	19.3					
XLB	Materials	6.4	1.7	9.9	SHY	1-3 Yr Treasuries	0.0	1.1	5.0
XLK	Technology	1.6	2.3	24.6	IEF	7-10 Yr Treasuries	0.1	0.9	8.0
XLC	Comm Services	0.2	-0.2	23.1	TLT	20+ Yr Treasuries	0.9	-1.0	4.2
XLU	Utilities	-0.4	-1.4	16.0	AGG	Aggregate Bond	0.3	0.9	7.2
					BND	Total Bond Market	0.3	0.9	7.1
					TIP	T.I.P.S.	0.3	-0.1	6.8

Past performance is no guarantee of future results.

This visual shows various asset classes, sectors, and country-level indexes equity performance to start 2026 through January 9th, during the fourth quarter and for 2025.

Looking at this data, a few things stand out: 1) International stock indexes finished on a high note after posting significantly stronger returns than the domestic indexes during the year, 2) Gold and Silver continued to shine, and 3) bonds advanced during the quarter posting solid returns for the year.

With the MSCI EAFE index up over 31% and Emerging Market index up over 34% this year, non-U.S. stocks posted their best absolute and relative performance in years. This shouldn't be a complete surprise as both have trailed the S&P 500 significantly over the past 10 years. Looking back to 12/31/2015, the cumulative total returns for the S&P 500 is 297%, compared to the EAFE's 121% and Emerging Markets' 112%.

The question remains, is this a short-term swing or is this a significant reversal in capital flows? RiverGlades continues to believe that over the longer term, the U.S. markets represent a more attractive investment option but that investors should be moving towards an allocation of non-U.S. stocks inline with the overall global market allocation of around 2/3 U.S. and 1/3 non-U.S.

Gold which has been a popular investment to offset inflation fears the past few years, continues to shine rising over 11% last quarter and over 63% in 2025.

Source: **Bespoke Investment Group**, *The Bespoke Report*, 1/9/25



# Asset Class Performance – By Quarter

This visual shows historical annual asset class performance for the last 15 quarters.

Looking at the returns, you can see some continuity of performance for a few asset classes. However, there isn't enough consistency to be of any predictive value. The market environment or themes that were unfolding during these periods explain the performance but identifying the exact start and finish of these movements remains difficult, if not impossible.

However, over longer periods of time, the relationship between risk and return becomes more apparent.

Finding the proper asset mix is key to constructing the right portfolio for each investor. From there, RiverGlades seeks to adjust allocations at the margin based on the market environment and prevailing investment themes.

12/31/2025 Qtr Return	9/30/2025 Qtr Return	6/30/2025 Qtr Return	3/31/2025 Qtr Return	12/31/2024 Qtr Return	9/30/2024 Qtr Return	6/30/2024 Qtr Return	3/31/2024 Qtr Return	12/31/2023 Qtr Return	9/30/2023 Qtr Return	6/30/2023 Qtr Return	3/31/2023 Qtr Return	12/31/2022 Qtr Return	9/30/2022 Qtr Return	6/30/2022 Qtr Return
World exUSA 5.3%	US Small 12.4%	US Growth 17.8%	World exUSA 6.3%	US Growth 7.1%	US Real Estate 17.1%	US Growth 8.3%	US Growth 11.4%	US Real Estate 18.0%	Commodities 16.0%	US Growth 12.8%	US Growth 14.4%	World exUSA 16.3%	US Small -2.2%	Commodities 2.0%
Emerging Markets 4.8%	Emerging Markets 10.9%	World exUSA 12.3%	Commodities 4.9%	Commodities 3.8%	US Value 9.4%	Emerging Markets 5.1%	S&P 500 10.6%	US Growth 14.2%	Emerging Markets -2.8%	S&P 500 8.7%	World exUSA 8.2%	US Value 12.4%	Muni Bonds -3.5%	Muni Bonds -2.9%
US Value 3.8%	US Growth 10.5%	Emerging Markets 12.2%	US Real Estate 3.5%	S&P 500 2.4%	US Small 9.3%	S&P 500 4.3%	Commodities 10.4%	US Small 14.0%	US Treasuries -3.1%	US Small 5.2%	S&P 500 7.5%	Emerging Markets 9.8%	US Growth -3.6%	US Treasuries -3.8%
S&P 500 2.7%	S&P 500 8.1%	S&P 500 10.9%	Emerging Markets 3.0%	US Small 0.3%	Emerging Markets 8.9%	Commodities 0.7%	US Value 9.0%	S&P 500 11.7%	US Growth -3.1%	US Value 4.1%	Emerging Markets 4.0%	S&P 500 7.6%	US Treasuries -4.3%	Aggregate Bonds -4.7%
US Small 2.2%	World exUSA 5.4%	US Small 8.5%	US Treasuries 2.9%	Muni Bonds -1.2%	World exUSA 7.8%	US Treasuries 0.1%	World exUSA 5.7%	World exUSA 10.6%	US Value -3.2%	World exUSA 3.3%	US Treasuries 3.0%	US Small 6.2%	Aggregate Bonds -4.8%	Emerging Markets -11.3%
Muni Bonds 1.6%	US Value 5.3%	US Value 3.8%	Aggregate Bonds 2.8%	US Value -2.0%	S&P 500 5.9%	Aggregate Bonds 0.1%	US Small 5.2%	US Value 9.5%	Aggregate Bonds -3.2%	US Real Estate 2.4%	Aggregate Bonds 3.0%	US Real Estate 4.4%	S&P 500 -4.9%	US Value -12.2%
US Growth 1.1%	Commodities 4.1%	Aggregate Bonds 1.2%	US Value 2.1%	Aggregate Bonds -3.1%	Aggregate Bonds 5.2%	Muni Bonds 0.0%	Emerging Markets 2.4%	Emerging Markets 7.9%	S&P 500 -3.3%	Emerging Markets 1.0%	Muni Bonds 2.8%	Muni Bonds 4.1%	US Value -5.6%	World exUSA -14.4%
Aggregate Bonds 1.1%	US Real Estate 3.1%	US Treasuries 0.8%	Muni Bonds -0.2%	US Treasuries -3.1%	US Treasuries 4.7%	World exUSA -0.4%	Muni Bonds -0.4%	Muni Bonds 7.9%	Muni Bonds -3.9%	Muni Bonds -0.1%	US Small 2.7%	Commodities 3.4%	World exUSA -9.1%	US Real Estate -14.5%
Commodities 1.0%	Muni Bonds 3.0%	Muni Bonds -0.1%	S&P 500 -4.3%	World exUSA -7.4%	US Growth 3.2%	US Real Estate -1.7%	Aggregate Bonds -0.8%	Aggregate Bonds 6.8%	World exUSA -4.0%	Aggregate Bonds -0.8%	US Real Estate 1.6%	US Growth 2.2%	Commodities -10.3%	S&P 500 -16.1%
US Treasuries 0.9%	Aggregate Bonds 2.0%	US Real Estate -0.4%	US Small -9.5%	US Real Estate -7.8%	Muni Bonds 2.7%	US Value -2.2%	US Treasuries -1.0%	US Treasuries 5.7%	US Small -5.1%	US Treasuries -1.4%	US Value 1.0%	Aggregate Bonds 1.9%	US Real Estate -10.4%	US Small -17.2%
US Real Estate -2.3%	US Treasuries 1.5%	Commodities -2.8%	US Growth -10.0%	Emerging Markets -7.8%	Commodities -5.3%	US Small -3.3%	US Real Estate -1.2%	Commodities -10.7%	US Real Estate -8.6%	Commodities -2.7%	Commodities -4.9%	US Treasuries 0.7%	Emerging Markets -11.4%	US Growth -20.9%

Past performance is no guarantee of future results. You cannot invest directly in an index.

\*Data as of 12/31/2025

Source: YCharts, 1/26/26





# Bonds & Interest Rates

Collection of Data Summarizing Moves  
in the Fixed Income Markets.

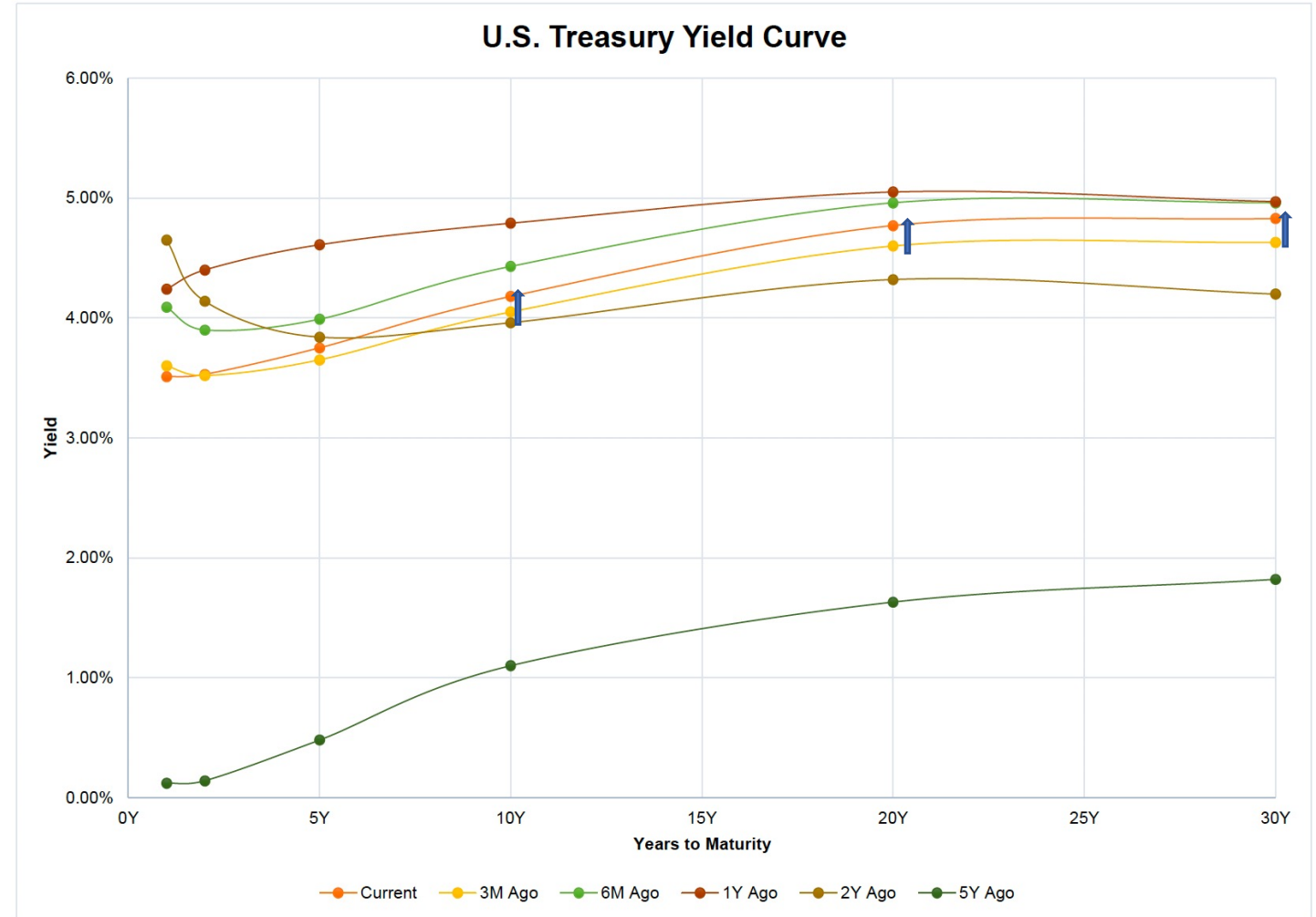


# Interest Rates

Duration	Rate	QoQ Δ
1-Month	3.74%	▼ 46 bps
3-Month	3.67%	▼ 35 bps
6-Month	3.59%	▼ 24 bps
1-Year	3.48%	▼ 20 bps
2-Year	3.47%	▼ 13 bps
3-Year	3.55%	▼ 6 bps
5-Year	3.73%	▼ 1 bps
10-Year	4.18%	▲ 2 bps
20-Year	4.79%	▲ 8 bps
30-Year	4.84%	▲ 11 bps

During the fourth quarter the yield curve dropped at the short end in anticipation of several upcoming rate cuts, while longer - term rates moved slightly higher.

A steepening yield curve is generally viewed as a “healthy” indicator. Investors would expect that the longer the time-period the higher the rate of interest should be earned.



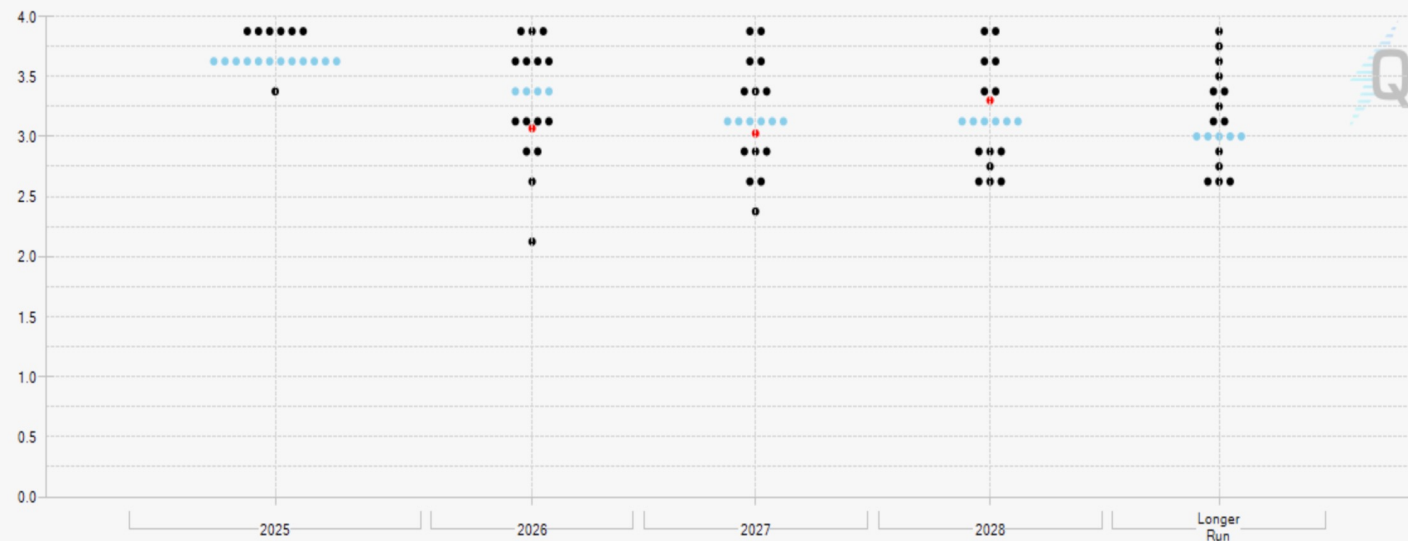
\*'Current' data as of 1/13/2026



# Where Are Interest Rates Headed?

CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES									
MEETING DATE	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425
1/28/2026		0.0%	0.0%	0.0%	0.0%	11.6%	88.4%	0.0%	0.0%
3/18/2026	0.0%	0.0%	0.0%	0.0%	3.9%	37.2%	58.9%	0.0%	0.0%
4/29/2026	0.0%	0.0%	0.0%	0.8%	10.4%	41.5%	47.3%	0.0%	0.0%
6/17/2026	0.0%	0.0%	0.4%	6.3%	28.1%	44.8%	20.4%	0.0%	0.0%
7/29/2026	0.0%	0.1%	2.3%	13.3%	33.5%	37.0%	13.8%	0.0%	0.0%
9/16/2026	0.1%	1.0%	6.5%	21.0%	34.8%	28.1%	8.5%	0.0%	0.0%
10/28/2026	0.2%	1.9%	9.1%	23.4%	33.6%	24.7%	7.0%	0.0%	0.0%
12/9/2026	0.6%	3.4%	11.9%	25.5%	31.9%	21.2%	5.6%	0.0%	0.0%
1/27/2027	0.6%	3.5%	12.2%	25.6%	31.6%	20.8%	5.5%	0.0%	0.0%
3/17/2027	0.6%	3.5%	12.1%	25.5%	31.6%	20.9%	5.6%	0.0%	0.0%
4/28/2027	0.6%	3.5%	12.0%	25.2%	31.4%	21.1%	6.0%	0.2%	0.0%
6/9/2027	0.6%	3.3%	11.5%	24.6%	31.1%	21.6%	6.7%	0.5%	0.0%
7/28/2027	0.6%	3.3%	11.4%	24.4%	31.1%	21.8%	6.9%	0.5%	0.0%
9/15/2027	0.8%	3.9%	12.4%	24.9%	30.4%	20.7%	6.4%	0.5%	0.0%
10/27/2027	0.7%	3.6%	11.6%	23.7%	29.9%	21.6%	7.7%	1.0%	0.1%
12/8/2027	0.4%	2.3%	8.1%	18.5%	27.2%	25.2%	13.7%	3.9%	0.5%

FOMC PARTICIPANTS' ASSESSMENTS OF APPROPRIATE MONETARY POLICY : "DOT-PLOT"



Blue dots indicate the median projection. Data is based on the economic projections published on December 10, 2025.  
Red dots indicate the effective rate implied by the year-end FedFund future price.

Note: Each shaded circle indicates the value (rounded to the nearest 1/8 percentage point) of an individual participant's judgment of the midpoint of the appropriate target range for the federal funds rate or the appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. One participant did not submit longer-run projections for the federal funds rate.

Source: CME Group; Fed Watch Tool, 1/8/26

RiverGlades has remained consistent in the opinion that multiple rate cuts were unnecessary and unlikely. However, the Fed cut by 0.25% three times last year boosting the economy, as well as the stock and bond markets. As we start 2026, the markets are pricing in two rate cuts before year-end.

The big questions for this year is who will be chosen to replace Fed Chairman Jerome Powell and how “dovish” will they be? President Trump has made it quite clear that he believes rates should be lower and that he wants to see rates come down. Will his next appointee to Fed Chair acquiesce to President Trump’s wishes or will “The Fed” remain as “independent” as it has been in the past. There has always been a bit of politics involved in setting Fed Funds levels, but for the most part “The Fed” has ultimately done what it felt was right for the economy. If GDP is running around 3%, is cutting rates another 0.50% this year the right thing to do? As with almost everything in economics, the answer is, it depends. It will depend on inflation, it will depend on job growth, it will depend on tariffs, etc...



# Macro Economic Data

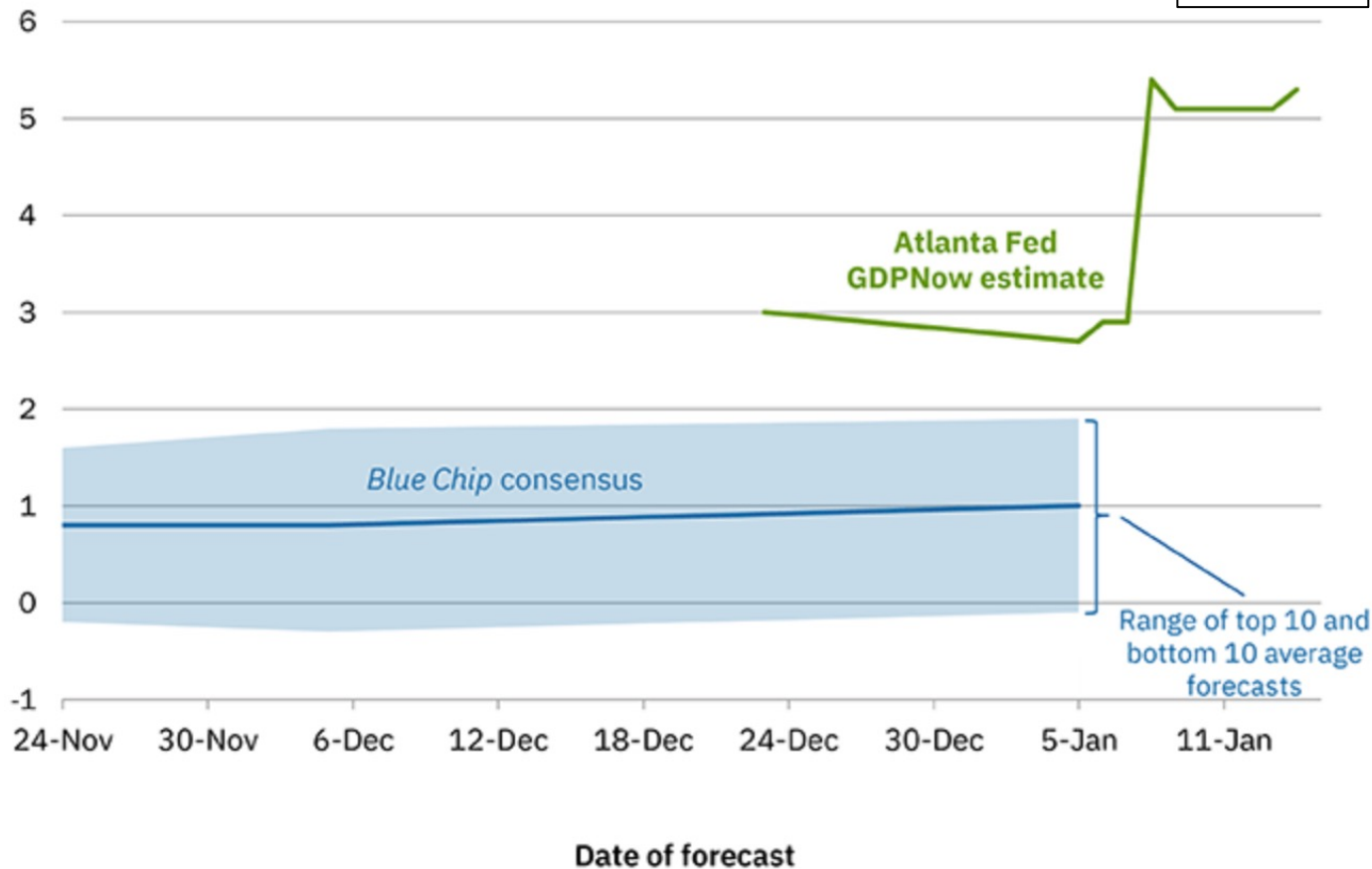
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Leading and Lagging Economic Data and Trends from Key Economic Reports Published Recently.



# Gross Domestic Product (GDP) – GDPNow

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q4  
Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

To evaluate how the U.S. economy is doing at any given time, RiverGlades reviews numerous data points and economic indicators. One not previously included in this presentation is produced by the Federal Reserve Bank of Atlanta and is called GDPNow. They describe this weekly projection as follows:

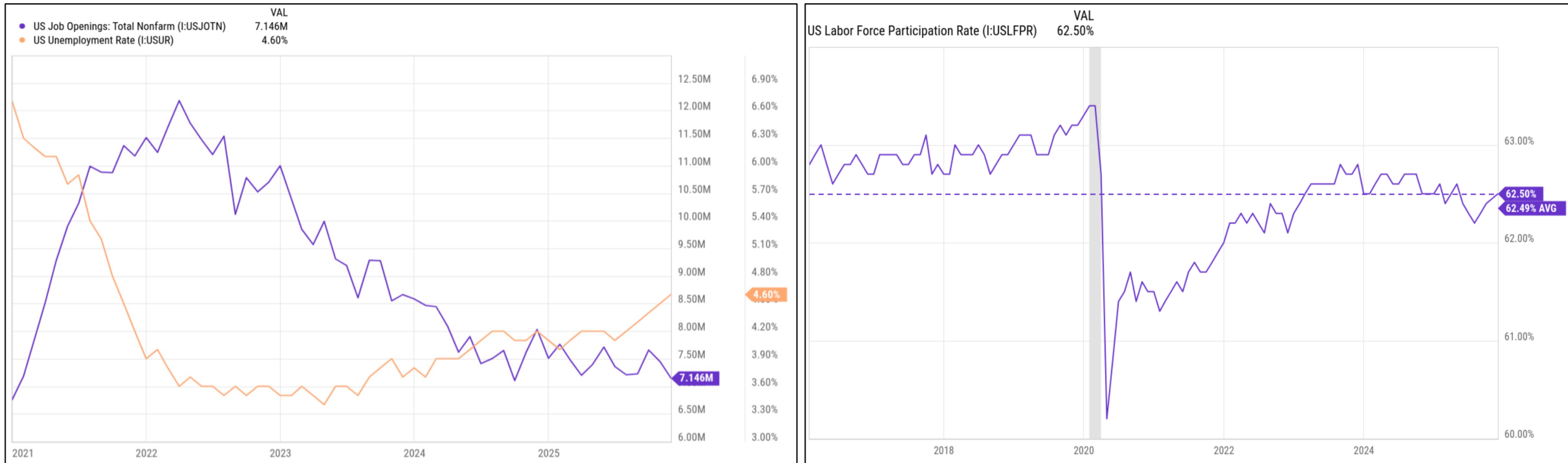
*“The GDPNow forecast is constructed by aggregating statistical model forecasts of 13 subcomponents that comprise GDP... As more monthly source data becomes available, the GDPNow forecast for a particular quarter evolves and generally becomes more accurate. That said, the forecasting error can still be substantial just prior to the “advance” GDP estimate release. It is important to emphasize that the Atlanta Fed GDPNow forecast is a model projection not subject to judgmental adjustments. It is not an official forecast of the Federal Reserve Bank of Atlanta, its president, the Federal Reserve System, or the FOMC.”*

The Atlanta Fed clearly states that this number is not always correct, however it offers an estimate, and the trend can be tracked throughout the quarter. Riverglades often finds value in comparing the estimate to the Blue Chip consensus and range. **5% GDP growth last quarter would be quite a bit higher than consensus and likely has some “noise” due to the government shut down earlier in the quarter. However, GDP is likely to be strong and consensus seem to be anticipating continued growth into 2026.**





# Unemployment and Labor Force Participation



Source: YCharts, 1/8/26

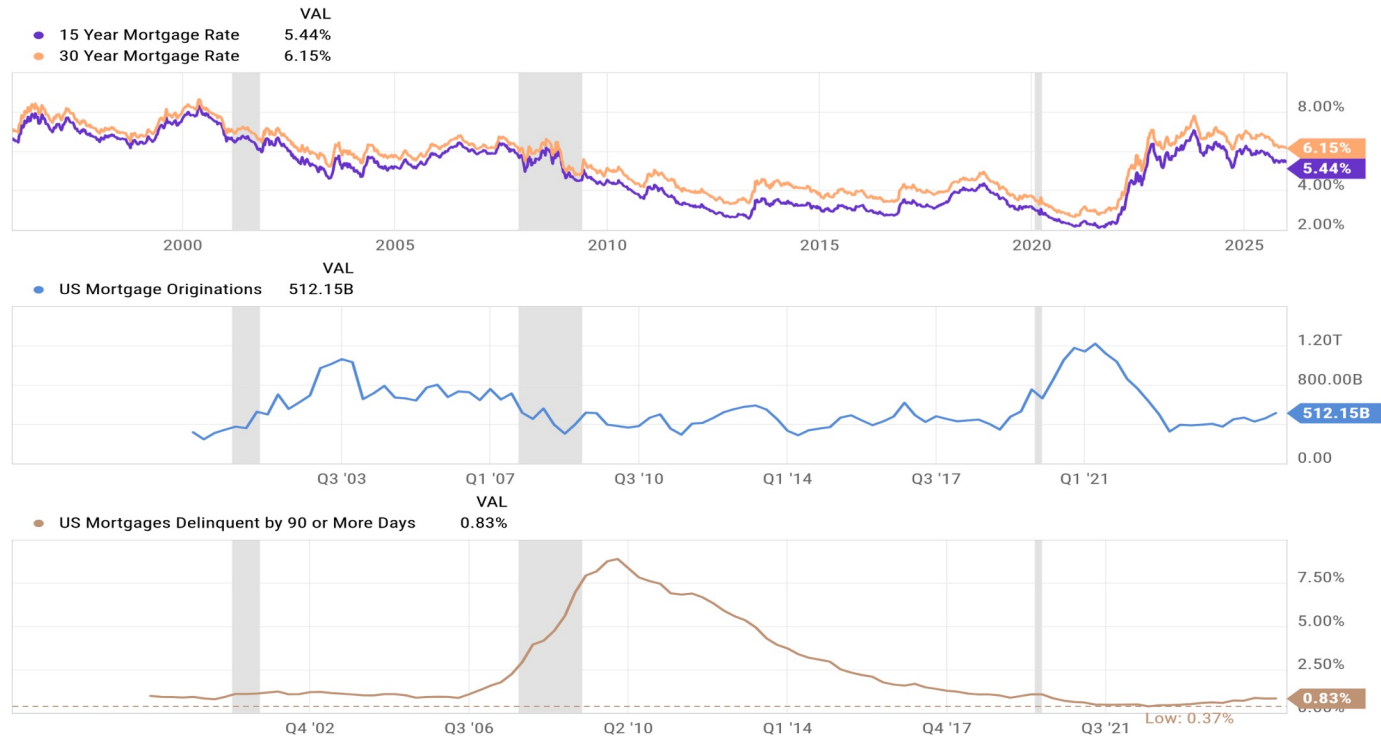
The chart at left, shows the history of U.S Job Openings and the U.S. Unemployment Rate that typically track in a loosely inverse relationship. This relationship was apparent in 2025 as Total Nonfarm job openings declined and the measured unemployment rate moved higher, ticking up to 4.6% at year-end.

The chart to the right shows the US Labor Participation rate over the past 10 years. You can see that following the COVID shutdowns, while lower than pre-COVID levels, the rate has returned to the 10-year average.



# Housing Indicators

## Mortgage Rates and Originations, 30Y View



Jan 7, 2026, 4:30 PM EST Powered by YCHARTS

Mortgage rates declined slightly during the fourth quarter. 30-year mortgages fell from around 6.30% At end of September to 6.15% at end of the year. However, over the past year mortgage rates have moved from 6.85% to 6.15%, around a 10% drop.

According to ATTOM's 4<sup>th</sup> quarter survey, 86% of counties surveyed saw affordability improve driven by declining mortgage rates and price stability. However, 99% of the 594 counties in the survey still showed lower affordability than historic averages.

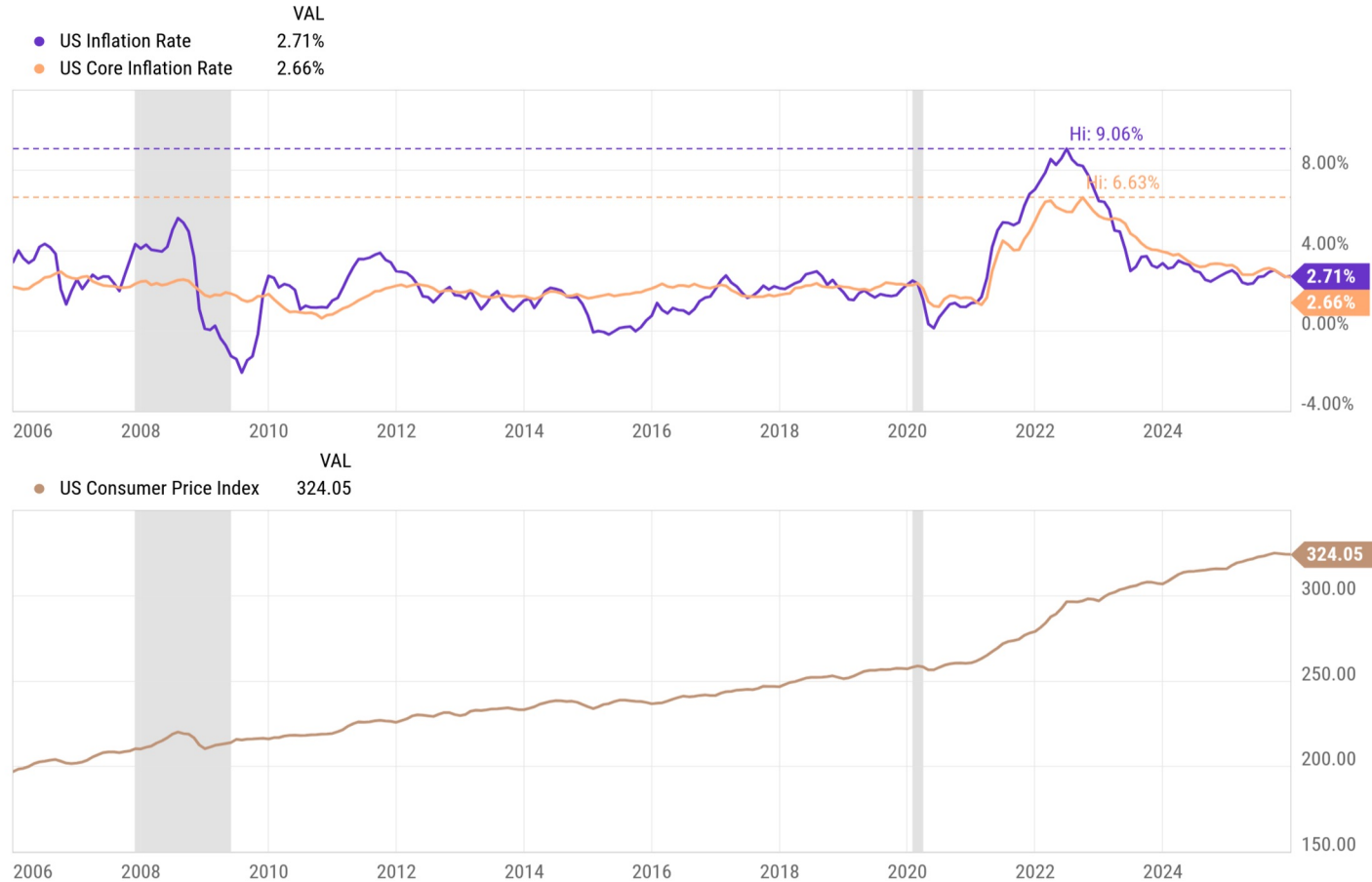
RiverGlades' outlook is for the housing market to continue normalizing as the uncertainty around the Trump administration's policies fade, interest rates decline, and the economy remains strong.

Housing Indicator Review												
Overall	Indicator Name	Latest Period	Frequency	Value	1 Mo. Ago			3 Mo. Ago		1 Yr. Ago		
					1 Mo. Ago	% Change		3 Mo. Ago	% Change		1 Yr. Ago	% Change
▲	Case-Shiller Home Price Index: National	10/31/2025	monthly	329.0	328	▲ 0.37%		327	▲ 0.74%		325	▲ 1.37%
▼	US Housing Starts	10/31/2025	monthly	1,246	1,306	▼ -4.59%		1,420	▼ -12.25%		1,352	▼ -7.84%
▼	US Building Permits	10/31/2025	monthly	1,412	1,415	▼ -0.21%		1,362	▲ 3.67%		1,428	▼ -1.12%
▼	US New Single Family Houses Sold	10/31/2025	monthly	737	738	▼ -0.14%		639	▲ 15.34%		621	▲ 18.68%
▲	US Pending Home Sales Index	11/30/2025	monthly	79	77	▲ 3.26%		75	▲ 5.88%		77	▲ 2.59%
▼	30 Year Mortgage Rate	12/31/2025	weekly	6.15%	6.23%	▼ -1.28%		6.30%	▼ -2.38%		6.85%	▼ -10.22%
▲	US Households	9/30/2025	monthly	133,172	133,086	▲ 0.06%		132,598	▲ 0.43%		132,508	▲ 0.50%



# Inflation

Inflation and CPI



Date Range: 12/31/2005 - 12/31/2025

Gray = US Recessions

Jan 15, 2026, 1:46 PM EST Powered by YCHARTS

The U.S. inflation rate (CPI) and Core CPI, which excludes food and energy prices, both ticked lower at the end of the fourth quarter to 2.71% and 2.66%.

It should be noted that CPI data was impacted by the 2025 U.S. government shutdown between Oct. 1 – Nov. 12. The Bureau of Labor Statistics (BLS) was unable to collect, or had to delay, key data for October, leading to incomplete reports, the use of "carry-forward" methods for rents, and reduced reliability for November's CPI. This impact is likely to "muddy" the data through early next year and only serves to make the Federal Reserve's job more difficult.

RiverGlades' thesis has been that any increases will be absorbed in different industries to varying degrees across the exporter, importer, and consumers resulting in a small upward push to prices. However, the funds raised from the tariffs will improve the Federal budget situation easing upward pressure on interest rates, while the overall growth of the economy will enable wages to keep up with or exceed the increase in prices.

RiverGlades' expectation is that rates will remain higher for longer and inflation will not increase notably from the 3% range, unless the Fed goes too far by cutting too quickly.

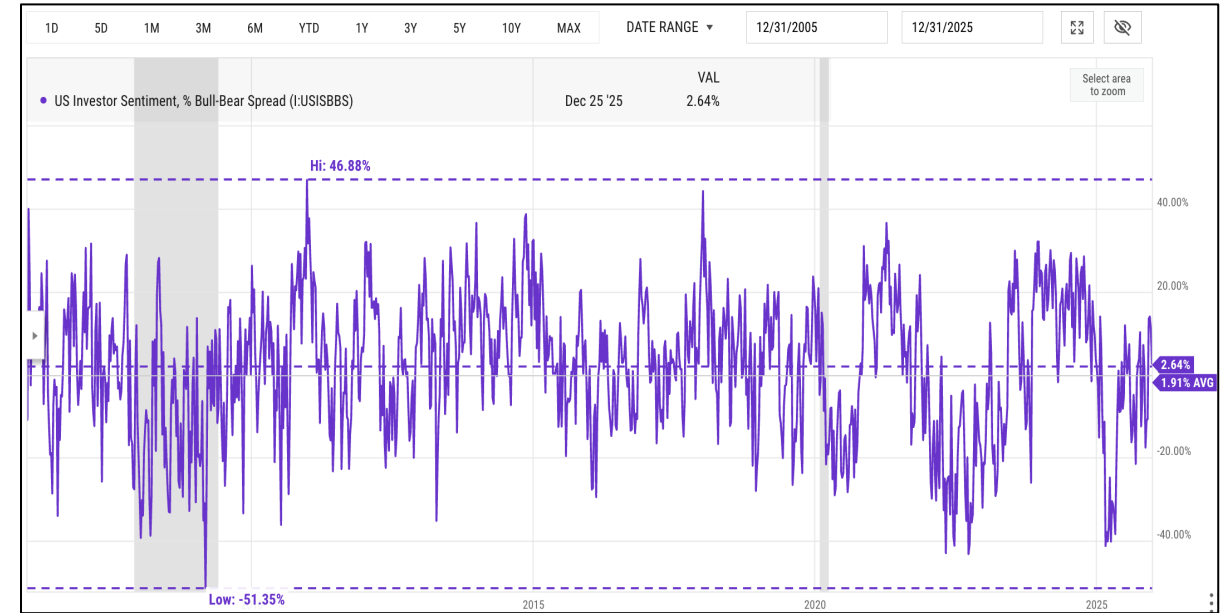


# Investor & Consumer Sentiment



Source: YCharts, 1/26/26

As evident in the chart to the upper left, U.S. Consumer Sentiment remains at very depressed levels. Current levels are not that far above the June 2022 low and far below the 20-year average of around 80. As noted in earlier commentary, the direction consumer sentiment is swinging is often more indicative of changes in consumer spending than the absolute level measured. Having experienced a slight uptick late in the 4<sup>th</sup> quarter, this data point warrants monitoring over the coming weeks and months.



Source: YCharts, 1/26/26

As indicated by the Bull-Bear Spread in the chart to the right, investor sentiment has rebounded since the April 2025 tariff announcement lows and has fluctuated around the 20-year average more recently. This measure often serves as a contrary indicator when it is closer to levels near highs or lows.

In a recent research piece, Bespoke Investment Group noted that the expectations component of the UMich sentiment survey remains right near its lowest levels on record, but it does appear to be bottoming. It went on to say, October's reading was one of just eight times that the index was six months removed from a two-year low and still in the lower half of its historical range. In the seven prior occurrences since the late 1970s, the S&P 500 was higher six and twelve months later every time.



## Summary & Outlook

Summary of Where RiverGlades Believes the Markets are Positioned Today and Where They Might Go In The Near Future.





# Where Do Things Go From Here?

## Pros

1. It's a Bull Market
2. Three Headed Monster
3. Long-Term Breadth
4. Follow the 200-Day
5. Strong Economy ex AI
6. ChatGPT vs. Netscape
7. Early Days for IPOs
8. The Wall of Worry
9. Strong Semis
10. Consumer Balance Sheets
11. Sentiment
12. Inflation
13. Don't Fight the Fed
14. Gas Prices
15. Productivity Gains
16. Earnings Growth, Strong Margins
17. Analogues
18. Buy the Dip
19. Equal Weight Not So Bad

## Cons

1. Good Three, Bad Three
2. Valuations
3. Mega Caps Faltering
4. Mega Debt
5. Oracle an Oracle?
6. Credit Markets
7. Lofty Beat Rates and Guidance
8. Year 2 of Presidential Cycle
9. DC Dynamics
10. Change at the Fed
11. Weak Jobs
12. Immigration
13. Strategists Bullish
14. Housing Hurts
15. Broadening Hurts
16. Crypto Crumbles
17. Markets Gamified
18. Risk Appetite

A recent report from the well-respected *Bespoke Investment Group* ([www.bespokepremium.com](http://www.bespokepremium.com)) summarized their take on the current “Pros and Cons” for the stock market going forward. Many of these have been touched on in this presentation, but RiverGlades is always available to elaborate or answer questions.

The Pros and Cons appear to be evenly split. While an argument can be made for both sides, it also becomes important to take into consideration the time over which these factors are anticipated to unfold and the weighting each situation warrants in your analysis.

It should be noted that when the 10-year yield, oil, and the dollar remain low, it has historically been bullish for stocks over the next 12 months.

RiverGlades continues to believe the underlying fundamentals are “ok” and that the markets are likely to trend higher over the next 12-18 months. However, given the speed at which the markets have moved higher and the amount of “good news” already priced into the markets, a pullback of some size might be expected in the coming months.

*Source: **Bespoke Investment Group**,  
The Bespoke Report, December 19, 2025*



# Where Do Things Go From Here? cont.

## HOW MARKET EXPERTS SEE THE S&P 500 ENDING IN 2025

Firm or analyst	S&P 500 year-end value	Chg. for year
Oppenheimer Asset Management	7,100	18.4%
Wells Fargo	7,007	16.8%
Ed Yardeni, Yardeni Research	7,000	16.7%
Tom Lee, Fundstrat Global Advisors, mid-year	7,000	16.7%
Deutsche Bank	7,000	16.7%
Carson Group	6,900	15.1%
DataTrek Research	6,840	14.1%
Evercore ISI	6,800	13.4%
Societe Generale	6,750	12.6%
BMO	6,700	12.6%
FactSet	6,678	11.4%
Bank of America	6,666	11.2%
Tom Lee, Fundstrat Global Advisors, year-end	6,600	10.1%
UBS	6,600	10.1%
RBC	6,600	10.1%
Barclays	6,600	10.1%
Ned Davis Research	6,600	10.1%
CFRA	6,586	9.8%
Benzinga	6,506	8.5%
Morgan Stanley	6,500	8.4%
Goldman Sachs	6,500	8.4%
JP Morgan	6,500	8.4%
Citi	6,500	8.4%
Raymond James	6,350	5.9%
D.A. Davidson	6,300	5.1%
Stifel	5,500	-8.3%
David Giroux, T. Rowe Price	5,300	-11.6%
BCA Research	4,450	-25.8%

Data source: S&P 500 closing predictions, staff research

TheStreet

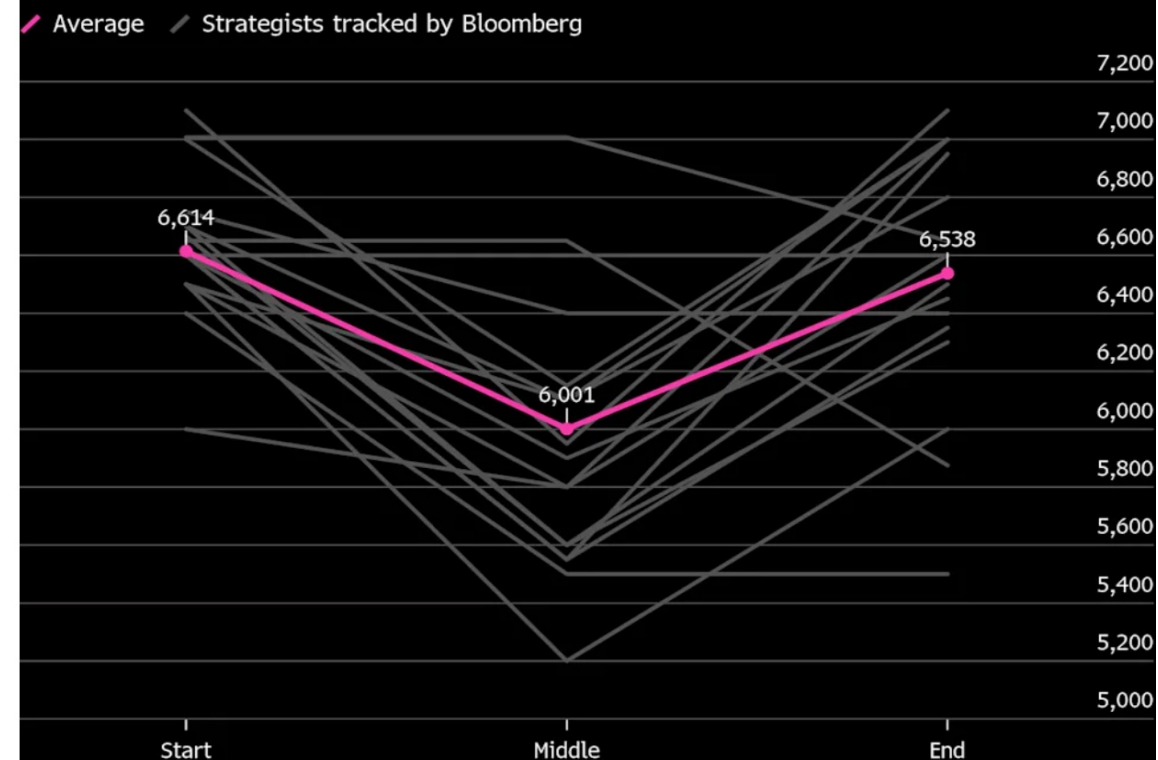
Maybe it's best to ask the "experts." Surely with the money they get paid and the resources they have at their disposal, they know what the markets will do...

At left is a summary of most of the major Wall Street firm's public outlook in January for 2025. For reference, the S&P 500 ended 2024 at 6845.

While many were relatively close, it's interesting that the majority of estimates were too low. With several actually predicting a negative return for the year.

## Roundtrip of S&P 500 Targets

Strategists' year-end estimates plunged in May, bounced back in the fall



Source: Bloomberg

Bloomberg

Also of interest was the rate at which various strategists quickly lowered their outlook for the year following the tariff announcements and subsequent sell-off. Yet, by the middle of the year once the market had begun to rally those same strategists raised their estimates back to almost the same level they had predicted prior to the tariff announcements.



# Where Do Things Go From Here? cont.

## HOW MARKET EXPERTS SEE S&P 500 ENDING IN 2026

FIRM OR ANALYST	S&P 500 YEAREND 2026 VALUE	CHNG FROM 2025*
Oppenheimer	8,100	17.76%
Deutsche Bank	8,000	16.30%
Morgan Stanley	7,800	13.40%
Wells Fargo	7,800	13.40%
RBC Capital Markets	7,750	12.67%
UBS Global Wealth Management	7,700	11.94%
Tom Lee, Fundstrat →	7,700	11.94%
Ed Yardeni →	7,700	11.94%
Citigroup	7,700	11.94%
Goldman Sachs	7,600	10.49%
LPL Financial	7,540	9.62%
FactSet	7,501	9.05%
HSBC	7,500	9.04%
J.P. Morgan	7,500	9.04%
Stiffel Financial	7,500	9.04%
CFRA	7,400	7.58%
BMO Private Wealth	7,400	7.58%
Societe General	7,300	6.13%
BCA Research	7,200	4.67%
Bank of America	7,100	3.22%
Ned Davis Research	7,100	3.22%
<b>Average</b>	<b>7,577</b>	<b>10.15%</b>

\* As of 12/22/2025 close of 6,878.49 in 2025.

Source: S&P 500 closing predictions, staff research

TheStreet

Having looked at how they did last year, let's take a look at Wall Street's outlook for 2026... TheStreet.com published a list as of 12/22/25 that shows an average estimate of 10% gains putting the S&P 500 over 7,500 at 2026 year-end. Tom Lee and Ed Yardeni are two strategists that RiverGlades follows and have found to be candid and thoughtful in their analysis. While they tend to favor an optimistic outlook, both highlight the risks and typically focus on 12-18 months out. This is very much in keeping with RiverGlades approach and is perhaps why their work resonates.

Bespoke Investment Group recently published a research note explaining that bull markets have gotten much longer since WW2 as American markets became increasingly developed. Their analysis shows that the average bull market since 1945 has seen a gain of 155% across 1,633 days and offer that for the current bull market to get to those "average" levels, the current market run would extend into 2027 and see a further gain of about 35% from where the S&P was trading at the end of 2025.

While that's a reasonable outlook, they also highlight that the second year of the four-year Presidential Cycle has historically been by far the weakest. Since 1928, the S&P 500 has seen a median gain of just 0.58% in year two of the four-year Election cycle. For recent context, in year two of President Trump's first term (2018), the S&P fell 6.2%, while the index fell 19.4% in year two of President Biden's term (2022).

While RiverGlades remains constructive on the economy and the markets overall, if last year our outlook was to "take the over" compared to consensus, this year it might be to favor "the under."

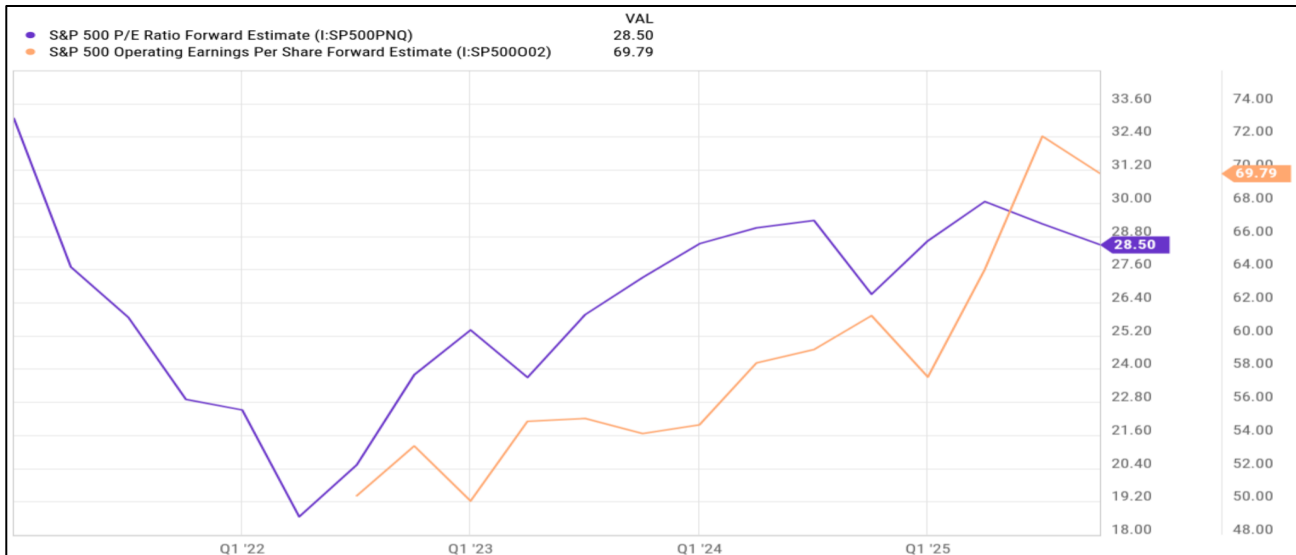




# Where Do Things Go From Here? cont.



The chart to the top left shows the S&P 500 Shiller CAPE Ratio over the past 30 years. Yale Professor Robert Shiller created this variation of the traditional P/E Ratio to account for the cyclical nature of earnings. Rather than simply taking the trailing year's earnings as is done with the traditional P/E, the CAPE Ratio averages the past 10 years earnings and adjusts for inflation. This provides a longer-term lens through which valuation can be analyzed.



The bottom chart, shows the forward P/E ratio at 28.5 about where it was to begin 2025. Future earnings are expected to continue growing but estimates have a fair amount of uncertainty baked into them. RiverGlades' outlook remains relatively constructive all things considered.

As noted last quarter, non-U.S. stocks have picked up after a decade of underperforming the S&P 500. During this time, the global equity index saw the U.S. to Non-U.S. ratio shift from roughly 50/50 to close to 70/30. RiverGlades has favored U.S. over non-U.S. during this period and continues to do so. However, investors should evaluate their non-U.S. exposure to confirm they have the appropriate level of diversification as earnings growth around the world appears to be picking up momentum.

Short of knowing how things will play out this year, the best approach is to focus on what we do know, while keeping an eye on the situation as things unfold. From where we sit it appears the markets will continue to climb the metaphorical "wall of worry."

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