2026 Outlook: A Tale of Two Halves
January 14, 2026

2025 is in the books and it was a great (albeit turbulent) year for investors. Despite the ups and downs, the major market indices all finished with solid performance, with the exception of US Small Caps:

- iShares Core S&P 500 ETF (IVV): 14.6%
- Invesco QQQ NASDAQ (QQQ): 17.6%
- iShares Core S&P Small-Cap ETF (IJR): 3.8%
- iShares MSCI EAFE (EFA): 26.2%
- iShares MSCI Emerging Markets (EEM): 29.7%
- iShares Core Universal USD Bond (IUSB): 7.6%
- iShares USD High Yield Corp Bond (USHY): 8.0%

So, the most basic concept of a 60/40 portfolio invested in just the S&P 500 and the Bloomberg Aggregate would have returned 11.8% in 2025. I think most people would have taken that return on January 1st and called it a good year. If your portfolio was like most of ours with a heavy overweight to US Large Caps and solid international exposure, you did even better.

We should note that the best asset in any of our portfolios by far was gold. Gold was up ~60% in 2025, doubling the best major stock market index return, quadrupling the S&P 500, and absolutely crushing the broad-based commodity indices which were mostly up 5%. Gold also dominated Bitcoin, aka the “new gold” despite being up about the same amount in the summer. Bitcoin gave up all of its gains in 2025 and then some, finishing the year down ~5%.

However, for us at 5T, it's time to turn the page and look forward. Every year, we read through countless industry investment outlooks to see what the Street is saying and how investment firms are viewing the macroeconomic outlook. It's a good way to challenge our thinking and see what we might be missing. However, this year, most of the forecasts come in line with the view we've been sharing with clients for at least six months. Simply put, we expect a strong first half of 2026 as the market responds to stimulus from four core sources: rate cuts, tax refunds, infrastructure spending, and new tax benefits, especially related to changes in depreciation accounting. After that stimulus plays out, the stock market could go anywhere. Our base case still assumes that the economy muddles through. However, we know that our clients hate losing money and so we're actively watching for signs of how the economy is reacting to the stimulus. We want to see signs of growth, especially in the jobs market. We want to avoid signs of increasing inflation. If we get both, 2026 will be another great year. If we don't, it will be a tricky year. The size and scope of the stimulus this year, combined with the increasingly murky geopolitical landscape (see Venezuela) makes the process of providing a 2026 outlook a challenge. However, if we knew what was going to happen, what would be the fun of forecasting anyway? So, despite the cloudy outlook beyond the first few months, we will still set out a few predictions for 2026 below.

Before we do though, we'd love to get your predictions too! **Send me an email with your best guess at the following questions and we will send a bottle of wine to our reader that gets the closest estimate.** The three questions are as follows:

1. What will the price of the S&P 500 Index be on November 30th, 2026? It closed at 6845.50 as of the close on 12/31/2025.
2. What will be the high end of the Fed Funds target range on November 30th, 2026? It is 3.75% as of 12/31/2025.
3. What will the price of Nvidia (NVDA) be on November 30th, 2026? It closed at $186.50 on 12/31/2025.

Tie breaker: What will the price of gold be on November 30th, 2026? It closed at $4,325.60 as of 12/15/2025.

Now, here are my predictions for 2026:

1. **A Tale of Two Halves:** I think the first half of 2026 will be great for stocks and generally a continuation of everything that's been happening for the last 3 years. We will see growth stocks lead again at the beginning of the year as the stimulus drives optimism about the economy. However, that sentiment will give way to skepticism in the second half. Investors will also get to see behind the curtains as a number of key private companies endure the IPO (Initial Public Offering) process. While it's possible the public markets are blown away by their profitability, it would be

unusual. Public market investors tend to be more short-term focused. It's quite possible those IPO roadshows feed investor concerns. I'm not ready to predict a correction, but I will say I think a) the stock market drifts sideways in the second half and b) underneath there is a big rotation from growth to value. If forced to pick a second half leader, I'd go with energy, but the situation in Venezuela may change that depending on how it plays out.

2. **Return of the IPO:** 2025 was supposed to bring a re-opening of the IPO market, but it never really came to fruition. The initial bull case was quickly derailed by Trump's quick and controversial moves around DOGE and tariffs. Still, it wasn't a total bust. More than 200 companies went public in 2025, a 36.5% increase over 2024, led by Medline, Figma and Circle. It was also well above the depths of 2002 when just 71 companies went public. However, 2026 is shaping up to be a banner year for IPOs as the private equity mantra of "private-for-longer" and "private-forever" are starting to crack. I think 2026 will be the year of mega-IPOs. The backdrop may not be perfect, but it's good enough. SpaceX has announced they intend to explore an IPO, but I think they will be one of many. Private Companies that could follow their lead would be OpenAI, Stripe, Anthropic, Databricks, Canva, Kraken, and many others. I'd expect most of these to come in late Spring or early summer and furthermore think their success or failure will color the rest of the year for stocks.

3. **Residential real estate prices will stay flat:** Interest rate cuts will drive the stock market up, but I don't think it will do much to bring down mortgage rates. Mortgage rates are typically set by the long-term part of the interest rate yield curve (i.e. 20–30-year bonds) which has remained high despite the rate cuts we've already seen in 2025. While short-term rates could come down dramatically in 2026, I think long-term rates will remain stubbornly high. The bond market has proven more focused on long-term health than the stock market. Hence, I don't think it's a sure thing that additional rate cuts from a politicized Fed will translate immediately to lower long-term rates. Banks are also likely to be reluctant to lower rates too much. The lessons from the collapse of Silicon Valley Bank and First Republic Bank are still fresh in their minds. If we're right, the price recovery homeowners have been yearning for is unlikely to happen in 2026.

4. **AI on Main Street:** The story of AI to-date has been about very smart people creating very powerful software. ChatGPT was first released to the public at the very end of 2022, however I would say it was really in 2025 that AI became mainstream. People now ask you to ChatGPT something instead of Googling it. Even when I use Google, I rarely look beyond Gemini's overview. In the stock market, AI moved from just the main players to another rung. For example, Oracle's stock popped when they announced a big AI-related order, briefly making Larry Ellison the richest man in the world. Other companies were very public about how AI is influencing how they run their businesses. We expect this trend to continue as AI-based tools and products continue to be rolled out to the public and

businesses. We also think AI's insatiable demand for power will continue to drive a massive infrastructure spending cycle that will support huge swaths of the US economy. This plays nicely into an equity rotation from growth to value in the second half. As the AI story expands, the benefits that will accrue to main street companies will become clear and will start to get priced in.

5. Three new Trillion Dollar companies: Right now, there are 10 US public companies that are valued at over $1 Trillion. NVIDIA tops the list at ~$4.5T, followed by Apple (~$4.0T), Alphabet (~$3.75T), Microsoft (~$3.6T), and Amazon (~$2.4T). Those five are well over the $1 Trillion mark. There are three others that are safely over the threshold which are Meta (~$1.7T), Broadcom (~$1.7T), and Tesla (~$1.5T). The final two are closer to the threshold with Taiwan Semiconductor (~$1.3T) and Berkshire Hathaway (~$1.1T). If we're right about 2026, there will be many more by the end of 2026. The most likely candidates would Eli Lily (~$960B), Walmart (~$900B), and JP Morgan (~$880B).

If all that comes to pass, I think most of our clients would be very happy this time next year. However, we remember John Kenneth Galbraith's astute observation on economic forecasting – "The only function of economic forecasting is to make astrology look respectable." We will continue to watch the markets closely and be ready to readjust portfolios as needed. For now, enjoy another great year in the books! We hope everyone is celebrating the end of 2025 and looking forward to 2026!

All the best,

Chris Roth
CIO
5T Wealth, LLC
Main (707) 224-1340
Cell (707) 637-7222
Chris@5twealth.com

5T Wealth, LLC
TIME | TEMPERAMENT | TALENT | TECHNOLOGY | TEAM

of any specific securities, investments, or investment strategies. Investments involve risk and are not guaranteed. 5T has reasonable belief that this letter does not include any false or material misleading statements or omissions of facts regarding services or investments. 5T has reasonable belief that the content as a whole will not cause an untrue or misleading implication regarding the adviser’s services, investments, or client experiences.

The opinions expressed are those of the author and are subject to change without notice. The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Any opinions, projections, or forward-looking statements expressed herein are solely those of the author. They may differ from the views or opinions expressed by other areas of 5T and are only for general informational purposes as of the date indicated.

5T has presented information in a fair and balanced manner. 5T is not giving tax, legal, or accounting advice.

Past performance should not be considered an indicator of potential future performance. If you do not consider yourself suitable, either emotionally or financially, to experience volatility and/or losses in financial markets, you should not invest. The portfolio managers at 5T do not guarantee investment results.

Charts, displays and graphs may be used as illustrations. They are not intended to be used by themselves to determine which securities to buy or sell, or when to buy or sell them. Such charts and graphs offer limited information and can’t be used on their own to make investment decisions.

CIO Insights does not represent the opinions of Fidelity, Fidelity Institutional Brokerage Group, NFS or anyone employed by Fidelity in any capacity. Neither Fidelity, Fidelity Institutional Brokerage Group, nor NFS, nor anyone employed by Fidelity in any capacity has participated in the creation of CIO Insights and they are not responsible for the contents or distribution of CIO Insights.

CIO Insights does not represent the opinions of Charles Schwab Corporation, Schwab Advisor Services or anyone employed by Schwab in any capacity. Neither Charles Schwab Corporation nor Schwab Advisor Services, nor anyone employed by Schwab in any capacity has participated in the creation of CIO Insights and they are not responsible for the contents or distribution of CIO Insights.

The investment objectives of various strategies mentioned in CIO Insights may be substantially different from one another. Therefore topics or investments mentioned in CIO Insights may or may not apply to specific managed accounts and/or strategies. If you are unsure which strategies your accounts are invested in please ask a representative of 5T to clarify that for you.

The assets held in managed accounts at 5T may include stocks, bonds, cash, commodities, foreign exchange, mutual funds or exchange traded funds (ETF's), money market accounts or limited partnerships that represent the same. They are subject to market fluctuation and the potential for losses. The assets are not insured. The value and income produced by these investment products may fluctuate, so that an investor may get back less than they initially invested.