

NEWSLETTER

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3 BIG THINGS

1

The calendar may have flipped to a new year, but markets didn't take notice. Many of the trends that we saw take place within markets during 2025 persisted throughout January. In fact, a couple of main themes from the past year accelerated including international outperformance over the US and strong performance from precious metals such as gold and silver.

2

Geopolitics took center stage during January as the US captured Venezuelan President Nicolas Maduro and effectively took over the country's oil exports. As AI dominates headlines the underpinning constraint in the race of AI dominance appears to be energy and the natural resources that will be used to build and power the large data centers. This seems to be the idea behind Trump's obsession with Greenland. As China has Taiwan in its crosshairs, if it becomes a technical arms race between the east and western hemispheres, garnering any resources that are geographically accessible and efficient will likely continue to be a focus.

3

For all the discussion around market concentration and narrow leadership, there are early signs that this dynamic may be starting to shift beneath the surface. During January, small-cap stocks posted 14 consecutive days of outperformance, the longest such streak since 1996. While it will take far more than two weeks to reverse the significant underperformance of the past five years, broader participation in market gains has historically been a constructive signal for future returns.

Quote of the month: "The function of economic forecasting is to make astrology look respectable" - John Kenneth Galbraith

MARKET QUICKTAKES

ECONOMIC INSIGHTS IN A NUTSHELL

The majority of data coming in during the month supported a strong market narrative. While there has been much ink spilled on the weakening labor market, data in January showed resilience with the unemployment rate ticking down to 4.1% and initial jobless claims falling to the 200k range. Core CPI came in cooler than expected as inflation reigniting remains a fear that hasn't come to fruition. ISM Services rose to the highest levels since October of 2024 and retail sales data from November exceeded expectations. Despite the resilient data, consumer confidence fell to the lowest since 2014 on the back of concerns around the job market and inflation. The housing market also showed weakness with pending home sales plunging over 9%.

EQUITY

Global stocks saw a wide divergence in returns in the month. While the S&P 500 finished up around 1.5%, growth stocks¹ saw losses of more than 1%. This contrasted with value stocks² gaining 4.5% and small company stocks³ returning 5.5%. Despite the very strong returns by these markets they could not keep up with emerging market stocks⁴ which advanced by 8% in January. Their international counterparts, developed markets⁵, saw strong gains as well advancing by just under 5% on the month.

FIXED INCOME

Interest rates drifted slightly higher in January, but not enough to drag returns negative as the Bloomberg US Aggregate index eked out a 0.25% gain. Higher risk areas of the bond market such as high yield corporates or emerging market bonds advanced slightly more but all remaining below a 1% monthly return. The top performer in fixed income went to municipal bonds. After a difficult start to 2025, things are off to a much better start for muni bonds and tax equivalent yields for high tax brackets remain attractive.

COMMODITIES

Silver darted out of the blocks and reached \$120/oz sitting 68% above its beginning of the year price. The price then dropped 30% on the last trading day of January. Bizarre trading for an asset that typically stays out of the headlines. Price action in precious metals may be a story to watch closely this year. Commodities as a whole have had a strong start to the year returning 11% in January.

VIEWS FROM MARKET STRATEGISTS

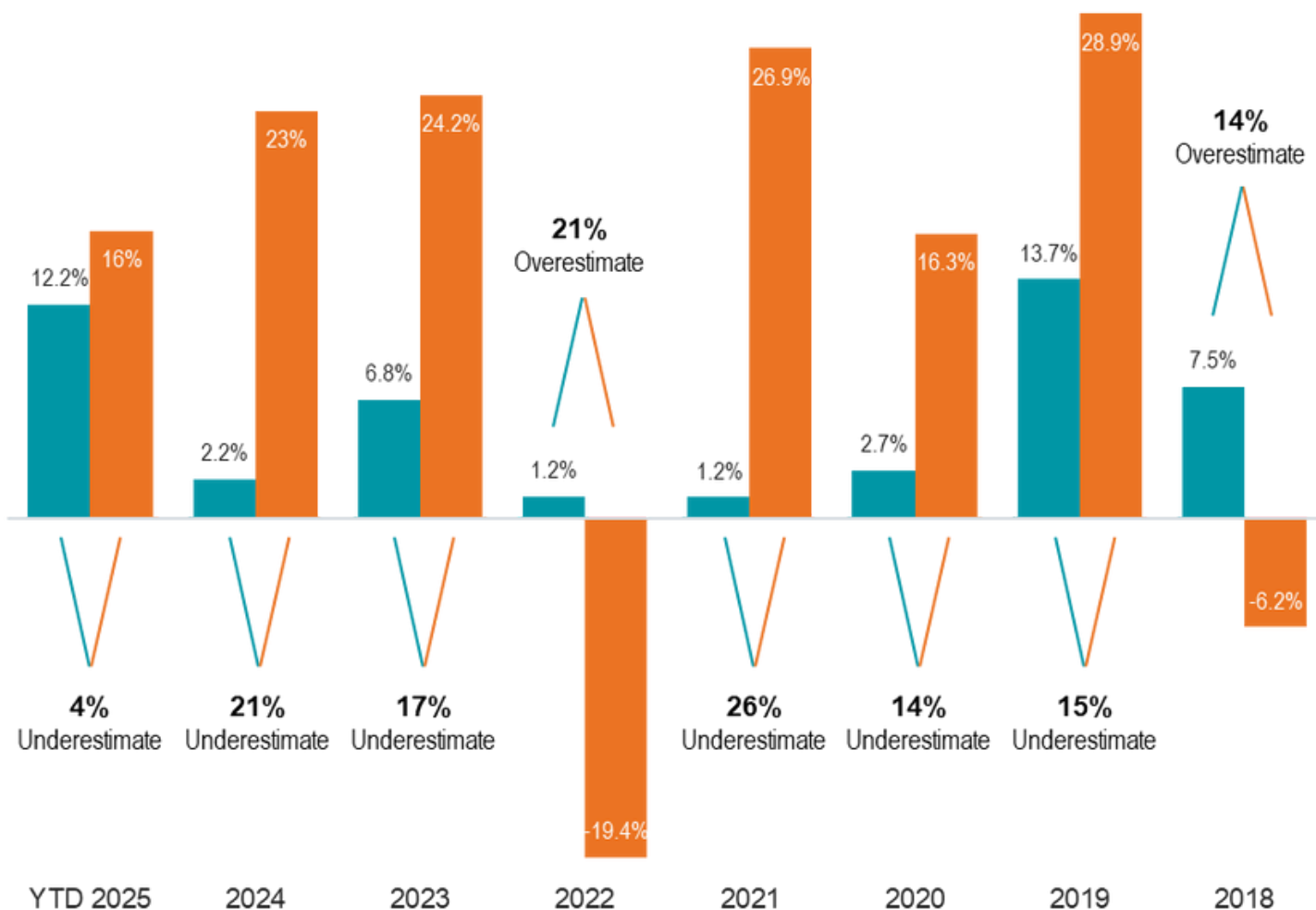
Last month we got to see how poorly my 2025 market predictions played out. After a few quips and jabs from clients, I'm back with some pettiness to show that the rest of Wall Street does no better! As you can see below, the average forecast is consistently far off from the realized return each year. So, as you come across articles citing expectations for the year, take them with a grain of salt (or just toss them aside completely).

I often say I wish my bookcase had a crystal ball sitting on it because it would make this job a whole heck of a lot easier! Unfortunately, and hopefully this comes as no surprise to any readers, I do not. Nor does anyone else, even if the tone and confidence of some market prognosticators may make you think differently.

We live in a world of probabilities and we are able to use data available to us to allocate portfolios in a manner that we know over the long term will give clients the best chance to achieve their financial goals. So next time you feel anxious about the markets, or maybe you hear from your golf partner about how much silver they bought in 2024, ask yourself if the plan you have in place is moving you toward your goals. Hopefully that answer is yes. If for some reason it isn't, give us a call!



■ Median Strategist Estimate ■ Actual S&P 500 Returns



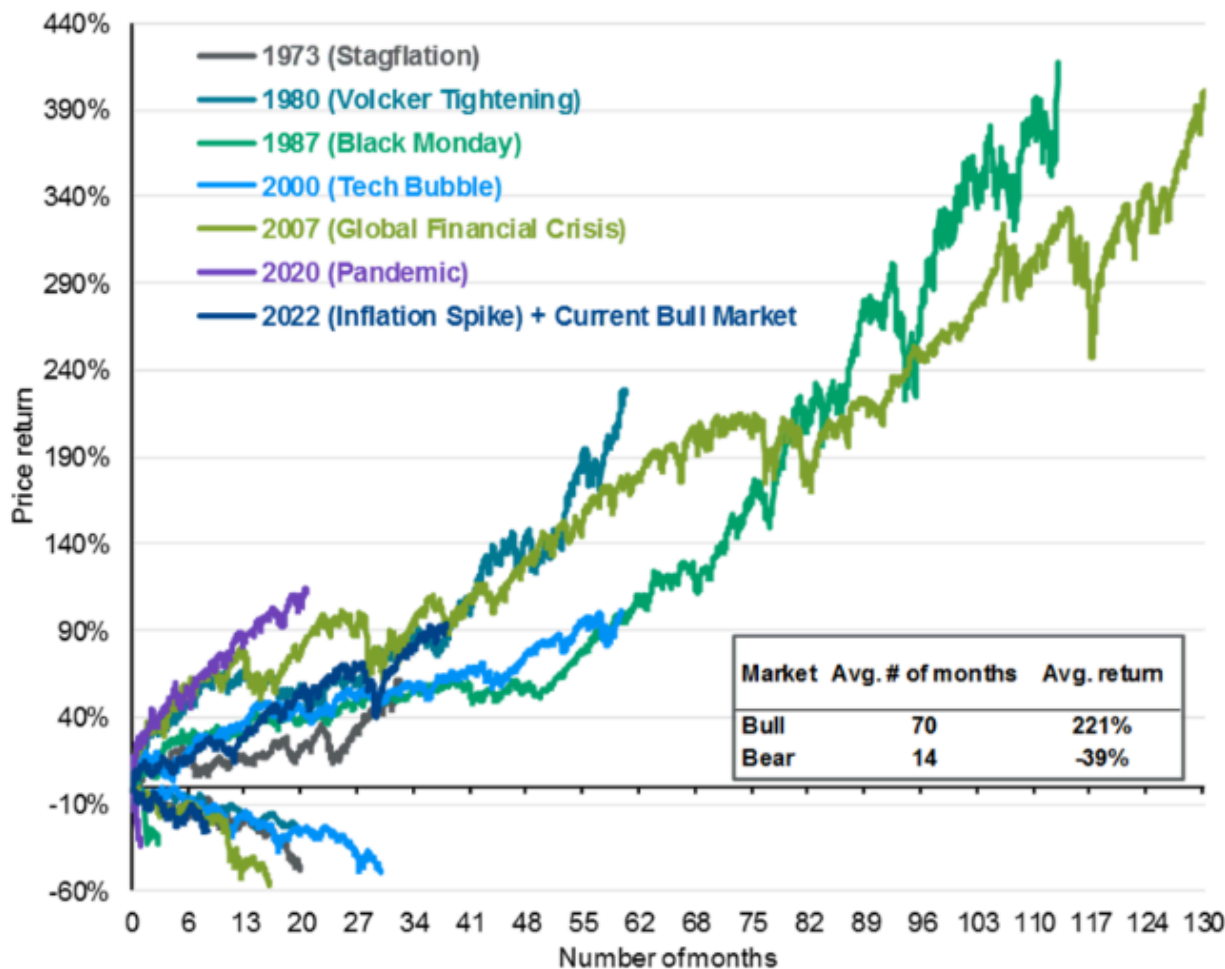
Data from 1/1/2018 - 11/30/2025. Sources: Emily McCormick, "What Wall Street Strategists Forecast for the S&P 500 in 2019," Yahoo Finance, December 31, 2018; Jeff Sommer, "Clueless About 2020, Wall Street Forecasters Are at It Again for 2021," New York Times, December 18, 2020; Jeff Sommer, "Forget Stock Predictions for Next Year. Focus on the Next Decade," New York Times, December 16, 2022; Senad Karahmetovic, "Top Wall Street Strategists Give Their S&P 500 Forecasts for 2023," Investing.com, December 27, 2022; Tom Aspray, "Should You Worry That Strategists Keep Raising Their S&P 500 Targets?" Forbes, October 20, 2024. Past performance is no guarantee of future results.

EVERGREEN REMINDERS

The past three years have been strong for equity markets. A common outlook is that we are overdue for a setback. While market volatility is always a constant, let's not forget the fact that bull markets are often longer and stronger than we realize. The chart below maps out the past several bull and bear markets, a few things stand out. First, bull markets are drastically longer in nature than bear markets and the upside is substantial. Second, bull markets don't have to die out from old age. We sit in the 39th month of this bull market and while it's been a great run since October 2022, we are barely over halfway to the average length of the last several bull runs. At about a 90% return we are also below half of the average return of those same bull markets average a total gain of 221%. So two things can be true simultaneously. Yes, we've had a very strong run in markets, but if history is any guide that doesn't mean the fun has to end soon.

Length and severity of bear and subsequent bull markets

Number of months, S&P 500 price return



Market cycles

Source: BEA, FactSet, NBER, Standard & Poor's, J.P. Morgan Asset Management.

The U.S. economy and stock market are both known for long summers and short winters, spending far more time expanding than contracting. Above, this pattern is reflected through the equity markets. In the chart, each pair of lines, connected by their shared color, represents the bull and subsequent bear phase of a market cycle for the S&P 500. The chart shows that U.S. equities have experienced bull markets that are both longer in duration and greater in magnitude compared to bear markets, highlighting the long-term growth potential in the markets.

LIFESTYLE HACK

“Go in light” is one of my favorite mantras as I start planning for a new year. And while we are one month in, it’s never too late to get things moving in the right direction for the rest of the year!

Take a day and go through your closet to donate clothes you never wear, go through your desk and get rid of that paper stack that you swore you’d get back to, clean out the family junk drawer, delete emails and unsubscribe from lists. You’ll feel great after it.

PLANNING CORNER

While many tax things are determined by the calendar year, there are some things that can still be done to get the benefit on your 2025 taxes.

Contributing to your Traditional and Roth IRAs can be done up until your filing date. As well as contributions to an HSA account. Both are relatively small amounts but if you haven’t done them for 2025 you can still make it happen!

LOCAL EVENTS THIS MONTH

- Basketball season is in full swing. Check the schedules for men’s and women’s hoops with Creighton having multiple home games at the CHI Health Center, the UNO Mavs having a couple of games at Baxter Arena, and the Huskers men’s and women’s teams at Pinnacle Bank Arena in Lincoln.
- If basketball isn’t your thing, the Omaha Supernovas, professional volleyball team has games the 12th, 15th, and 26th at the CHI Health Center.
- Boys & Girls state Wrestling is always a big draw downtown and will be the 17th - 21st.
- A Beautiful Noise - The Neil Diamond Musical is at the Orpheum the Valentine’s Day weekend.
- George Lopez, a childhood staple of mine, is doing a show at the Astro on February 21st.
- Vitamin String Quartet is coming to the Steelhouse on the 26th.

Disclosures

The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.

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