

2026 Equity Outlook



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2025: A Surprisingly Good Year for the S&P 1500

The Market Climbed a Very High Wall of Worry

Regions/Sizes/Sectors	% Chg.	Best S&P 500 Sub-Industries	% Chg.
Communication Services	32.4	Gold	168.3
S&P Developed Ex-U.S. BMI	31.2	Heavy Electrical Equipment	98.7
Information Technology	23.3	Electronic Components	91.5
S&P 500 Growth	21.4	Semiconductor Materials & Equipme	84.4
S&P Emerging BMI Index	21.0	Electronic Manufacturing Services	59.0
Nasdaq-100	20.2	Health Care Facilities	50.0
Industrials	17.7	Health Care Distributors	49.3
S&P 500	16.4	Leisure Products	46.7
Financials	13.3	Interactive Media & Services	44.6
Utilities	12.7	Broadcasting	43.7
Health Care	12.5	Worst S&P 500 Sub-Industries	% Chg.
S&P 500 Value	11.0	Brewers	(18.6)
Materials	8.4	Paper & Plastic Packaging Products	(18.6)
S&P MidCap 400	5.9	Technology Distributors	(21.7)
Consumer Discretionary	5.3	Computer & Electronics Retail	(22.0)
Energy	5.0	Cable & Satellite	(23.9)
S&P SmallCap 600	4.2	Footwear	(24.3)
Consumer Staples	1.3	Managed Health Care	(29.0)
Real Estate	(0.3)	Distillers & Vintners	(36.6)
10-Yr Note Yield	(8.7)	Advertising	(39.2)
WTI Oil	(19.9)	Commodity Chemicals	(41.7)
Positive Sectors	91%	Positive Sub-Industries	63%

Source: CFRA, S&P Global. Data as of 12/31/25.

Year-Ahead Equity Market Indicators

S&P 500 Annual Price Performances and Frequencies of Price Advances Since 1945

Full-Year Price Returns After: Market Indicator	S&P 500 Advances		S&P 500 Declines	
	S&P 500 % Return	Frequency of Gain	S&P 500 % Return	Frequency of Gain
After Up/Down Years	7.3	68%	14.7	86%
Santa Claus Rally	10.4	74%	6.2	65%
First 5 Days	13.4	80%	1.1	56%
January Barometer	16.2	86%	(1.7)	48%
Up January & February	20.2	97%	(5.1)	39%
Q1 Low Above December Low	22.7	100%	3.1	56%
All Years	9.3	72%	NA	NA

Source: CFRA, S&P Global, Stock Trader's Almanac. Past performance is no guarantee of future results. Data as of 12/31/25.

Dueling Indicators



Negatives

- **Elevated Valuations**
- **S&P 500 Market-Cap-to-U.S. GDP Ratio**
- **Mid-Term Election-Year Volatility**



Positives

- **Year Two of Rate Easing Cycles**
- **Year Four of Bull Markets**
- **Coordinated All-Time Highs**
- **Strong Tech EPS Growth Expectations**
- **Broadening Breadth**

Benchmarks and Sector NTM P/E Multiples

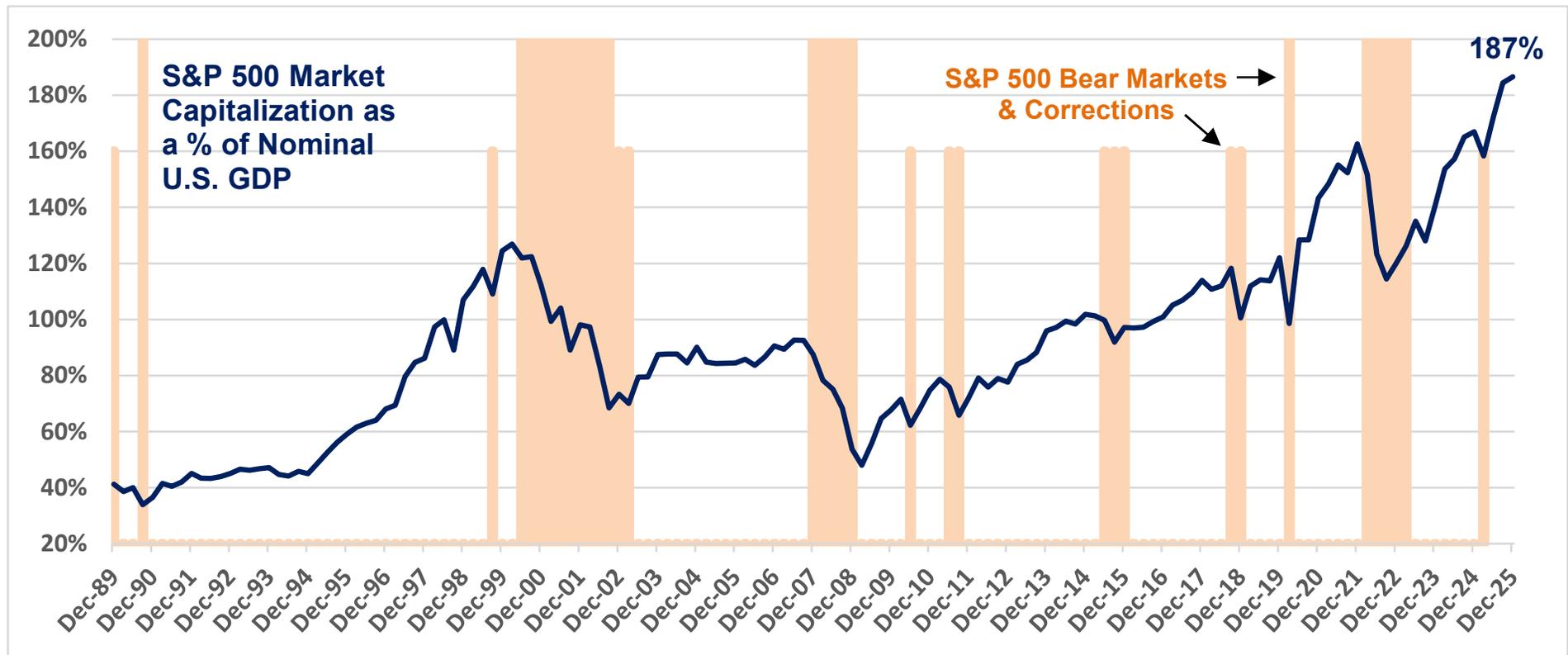
Forward S&P 500 P/E Had Reached Two Standard Deviations Above its 20-Year Mean

S&P 500 Sector	NTM P/E Now	Average NTM P/E Ratios & Premiums/(Discounts)					
		20Y P/E	20Y (P/D)	10Y P/E	10Y (P/D)	5Y P/E	5Y (P/D)
Communication Services	23	16	49	18	33	19	21
Consumer Discretionary	31	22	44	26	21	28	11
Consumer Staples	22	18	20	20	9	21	5
Energy	17	18	(1)	22	(21)	13	31
Financials	17	14	21	14	17	15	11
Health Care	19	16	24	17	15	18	10
Industrials	26	18	51	20	32	22	23
Information Technology	28	19	42	23	19	27	3
Materials	22	16	31	18	19	18	17
Real Estate*	36	NA	NA	NA	NA	41	(11)
Utilities	18	16	12	18	(0)	19	(2)
S&P 500	23	17	38	20	20	21	12

Source: CFRA, S&P Capital IQ Consensus Estimates. NTM: Next 12 Months. Past performance is no guarantee of future results. P/D: Premium/Discount. Data as of 01/13/26.

Buffett Rule: S&P 500 Mkt. Cap./U.S. Nominal GDP

Historically, 100% Indicated A Level of Concern



Source: CFRA, S&P Capital IQ Consensus Estimates, Bureau of Economic Analysis. Past performance is no guarantee of future results. Data as of 12/31/25.

Mid-Term Election Year (MTEY) Returns Since 1945



YTD Price Changes for the S&P 500 During All MTEYs

Pres. Cycle	Average Price % Changes					Frequency of Advance				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Year 1	(0.0)	3.2	1.5	4.1	9.5	52%	62%	67%	80%	65%
Year 2	0.8	(2.6)	(0.8)	6.4	3.8	45%	50%	60%	85%	55%
Year 3	7.0	4.7	0.4	3.8	16.3	90%	75%	55%	75%	85%
Year 4	0.6	3.2	1.2	2.3	6.8	58%	68%	58%	79%	79%
All Years	2.0	2.0	0.5	4.2	9.1	62%	63%	59%	80%	71%

Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data: 12/31/44-12/31/25.

Mid-Term Election (MTEY) Returns by Quarter Since 1990

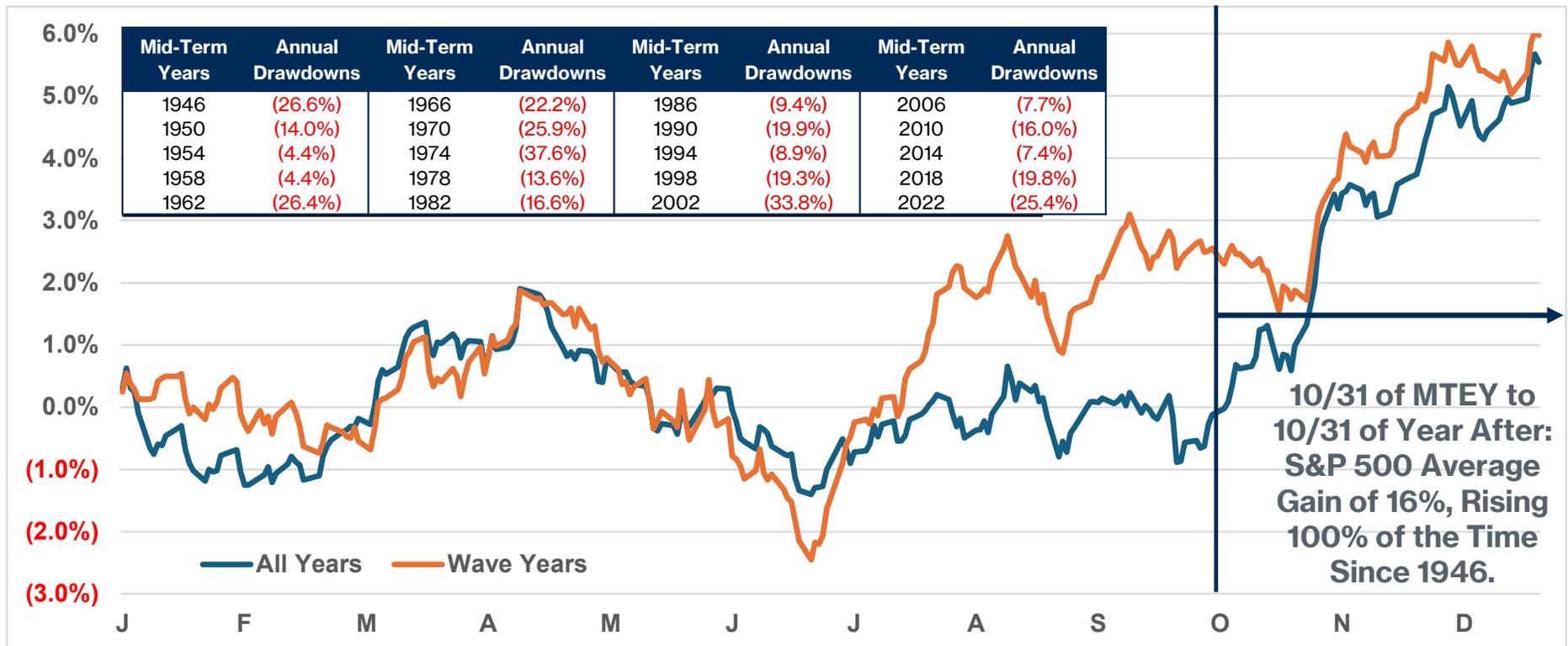
Beware the Uncertainty Ahead of the Election

Sector	Q1	Q2	Q3	Q4	Year
Communication Services	(3.1)	(5.9)	(0.7)	5.9	(3.0)
Consumer Discretionary	1.9	(3.0)	(3.1)	4.5	0.4
Consumer Staples	0.3	0.3	(1.4)	6.9	5.3
Energy	5.4	0.3	(2.2)	2.5	5.7
Financials	1.3	(3.4)	(6.2)	6.8	(2.7)
Health Care	0.3	(0.3)	3.3	5.4	8.6
Industrials	2.6	(5.1)	(4.0)	5.9	(1.4)
Information Technology	3.2	(4.9)	(1.1)	9.3	7.1
Materials	2.0	(3.6)	(4.0)	5.0	(1.8)
Real Estate***	(6.3)	(5.1)	(5.8)	(0.9)	(17.0)
Utilities	(1.2)	(2.6)	(2.0)	4.9	(0.7)
S&P 500	1.0	(3.2)	(2.2)	5.5	0.8

Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data: 12/31/89-12/31/25.

Mid-Term Election Year (MTEY) Volatility Since 1946

YTD Price Changes for the S&P 500 During All MTEYs and “Wave” Years



Source: CFRA, S&P Global. “Wave” Years: Election Years when Presidency and both houses of Congress are from the same party. Past performance is no guarantee of future results. Data as of 12/31/45-12/31/22.

Average S&P 500 Returns in Second Year of Rate Cuts

Rate Cuts Typically Continue to be Supportive of Further Stock Price Gains

Regions/Sizes/Sectors	% Chg.	Best S&P 500 Sub-Industries	% Chg.
Real Estate***	29.0	Semiconductor Materials & Equipment	54.4
Information Technology	15.5	Health Care Supplies	39.3
S&P MidCap 400	11.5	Wireless Telecommunication Services	34.0
S&P SmallCap 600*	9.6	Steel	25.3
Financials	8.8	Biotechnology	24.8
S&P 500 Growth*	8.6	Electronic Equipment & Instruments	24.2
Communication Services	7.9	Semiconductors	22.5
Consumer Discretionary	7.1	Footwear	21.2
S&P 500	6.2	Worst S&P 500 Sub-Industries	% Chg.
Materials	5.8	Property & Casualty Insurance	(3.8)
Industrials	5.5	Gas Utilities	(6.2)
Energy	3.8	Passenger Airlines	(8.1)
Consumer Staples	2.9	Environmental & Facilities Services	(11.2)
S&P 500 Value*	2.1	Food Retail	(12.0)
Health Care	0.6	Oil & Gas Refining & Marketing	(13.5)
Nasdaq 100**	0.2	Distillers & Vintners	(18.3)
Utilities	(5.4)	Application Software	(18.8)
Positive Sectors	91%	Positive Sub-Industries	77%

Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data: 12/31/89-7/30/21. *Since 1995. **Since 2000. ***Since 2017.

Bull Market Progression

YEAR FOUR: Return to Double-Digit Growth?

Bull Market		Full-Year S&P 500 Price Changes											Total % Gain	Duration in Mos.
Start	End	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Yr. 6	Yr. 7	Yr. 8	Yr. 9	Yr. 10	Yr. 11		
5/17/47	6/15/48	19.0%	X										22	13
6/13/49	8/2/56	42.1%	11.9%	13.1%	-2.3%	20.0%	38.6%	17.2%	X				267	86
10/22/57	12/12/61	31.0%	9.7%	-4.8%	28.4%	X							86	50
6/26/62	2/9/66	32.7%	17.4%	2.0%	X								80	43
10/7/66	11/29/68	32.9%	6.6%	X									48	26
5/26/70	1/11/73	43.7%	11.1%	X									74	32
10/3/74	11/28/80	38.0%	21.2%	-7.1%	6.1%	6.8%	18.0%	X					126	74
8/12/82	8/25/87	58.3%	2.0%	13.4%	29.7%	36.6%	X						229	60
12/4/87	7/16/90	21.4%	29.3%	X									65	31
10/11/90	3/24/00	29.1%	5.6%	14.5%	1.1%	24.4%	20.9%	38.0%	1.8%	35.6%	X		417	113
10/9/02	10/9/07	33.7%	8.0%	6.6%	12.9%	15.9%	X						101	60
3/9/09	2/19/20	68.6%	15.7%	3.9%	13.2%	21.1%	10.7%	-4.3%	18.9%	17.8%	-1.6%	23.4%	401	131
3/23/20	1/3/22	74.8%	X										114	21
10/12/22	1/12/26	21.6%	33.7%	12.7%	6.5%	?	?	?	?	?	?	?	89	39
Average		39.1%	14.4%	6.0%	12.7%	20.8%	22.1%	16.9%	10.3%	26.7%	-1.6%	23.4%	151	56

Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data as of 01/12/26.

S&P 500 Earnings Growth Forecasts Through 2027

EPS Growth Continues to Advance

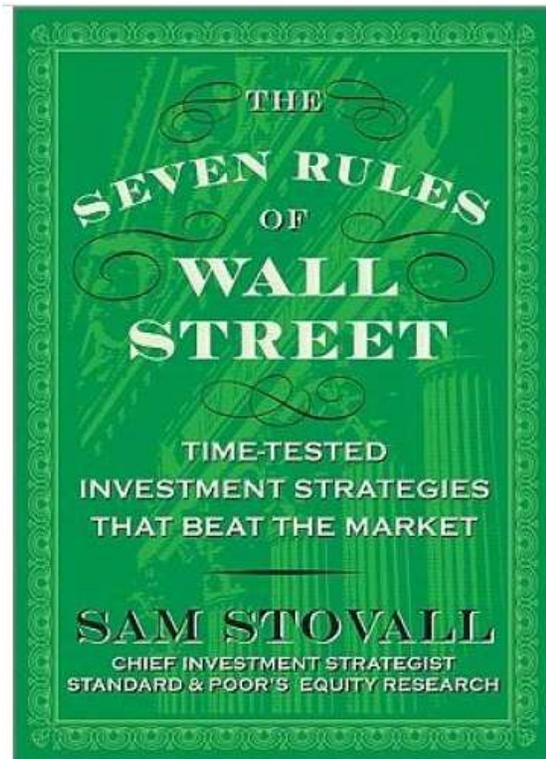
Oper. EPS % Changes S&P Sectors	S&P 500		
	2025E	2026E	2027E
Communication Services	17.9	6.1	13.4
Consumer Discretionary	2.9	9.3	17.7
Consumer Staples	(0.9)	6.6	7.8
Energy	(11.9)	4.7	19.2
Financials	9.9	8.2	11.3
Health Care	12.7	8.2	12.2
Industrials	5.9	14.2	15.9
Information Technology	23.7	30.2	19.6
Materials	1.5	19.5	15.3
Real Estate	(4.9)	8.0	10.8
Utilities	9.2	8.7	9.5
S&P 500	11.0	14.1	15.1
S&P MidCap 400	0.7	19.5	14.9
S&P SmallCap 600	11.7	17.2	16.8

Source: CFRA, S&P Capital IQ Consensus Estimates. Data as of 01/13/26.

Forecasts Point To an Improvement in Economic Activity in 2026

Indicator	Year	Forecast	Year	Forecast
S&P 500 EPS	2025E	11.1%	2026E	14.1%
S&P 500 Revenue Growth	2025E	4.0%	2026E	7.1%
Real GDP (Q4)	2025E	2.5%	2026E	2.2%
Unemployment Rate (Q4)	2025E	4.3%	2026E	4.5%
Retail Sales Growth (Q4)	2025E	4.1%	2026E	3.8%
Core PCE Gr. (Q4)	2025E	2.6%	2026E	2.4%
Fed Funds Rate (Q4)	2025A	3.63%	2026E	3.13%
10-Year T-Note (Q4)	2025A	4.18%	2026E	3.60%
FRB Major \$ Index Chg	2025A	(1.8%)	2026E	(1.0%)
WTI \$ Average	2025A	58.32	2026E	63.00

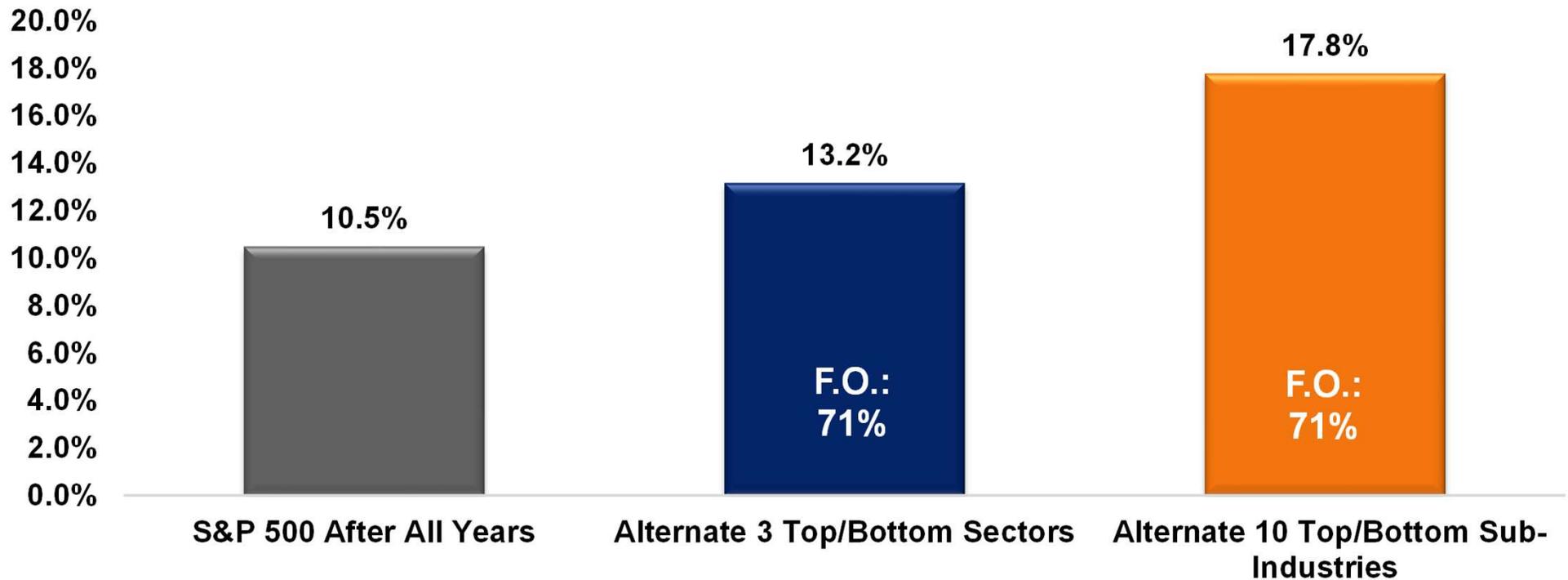
Source: CFRA, S&P Global, Action Economics. Data as of 01/13/26.



- Momentum
- Correlation

“Let Your Winners Ride” (Usually)

Average Annual Price Gains After Up or Down Years for the S&P 500



Source: CFRA. Own top 3 sectors/top 10 sub-industries after up years, own bottom 3/bottom 10 after down years. F.O.: Frequency of Outperformance. Data: 12/31/90-12/31/25.

Top 10 S&P 500 Sub-Industries

TOP 3 SECTORS: Communication Services, Industrials, and Information Technology

Sub-Industries	Favored S&P 500 Stocks
Broadcasting	Fox Corporation (FOXA 74 ****)
Electronic Components	Amphenol Corporation (APH 136 ****)
Electronic Manufacturing Services	TE Connectivity plc (TEL 230 ****)
Gold	Newmont Corporation (NEM 102 *****)
Health Care Distributors	McKesson Corporation (MCK 827 ****)
Health Care Facilities	Universal Health Services, Inc. (UHS 225 ****)
Heavy Electrical Equipment	GE Vernova Inc. (GEV 660 ****)
Interactive Media & Services	Alphabet Inc. (GOOGL 314 ****)
Leisure Products	Hasbro, Inc. (HAS 83 *****)
Semiconductor Materials & Equip.	Lam Research Corporation (LRCX 174 ****)

Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data as of 12/31/25.

“Let Momentum Be Your Guide”

A Simple Momentum Strategy Based on Trailing 10-Month Price Performances

10-Month Relative Strength Returns (*Since 1990, **Since 2010)

S&P 500 Sector Standings	Top 4="+" Middle 3 = "0" Bottom 4 = "-"		
	S&P 500*	Euro 350**	AsiaPac**
Comm. Services	+	-	-
Cons. Discretionary	+	0	-
Consumer Staples	-	-	-
Energy	-	-	+
Financials	0	+	0
Health Care	-	0	-
Industrials	+	+	+
Info. Technology	+	+	+
Materials	0	0	+
Real Estate	-	-	0
Utilities	0	+	0

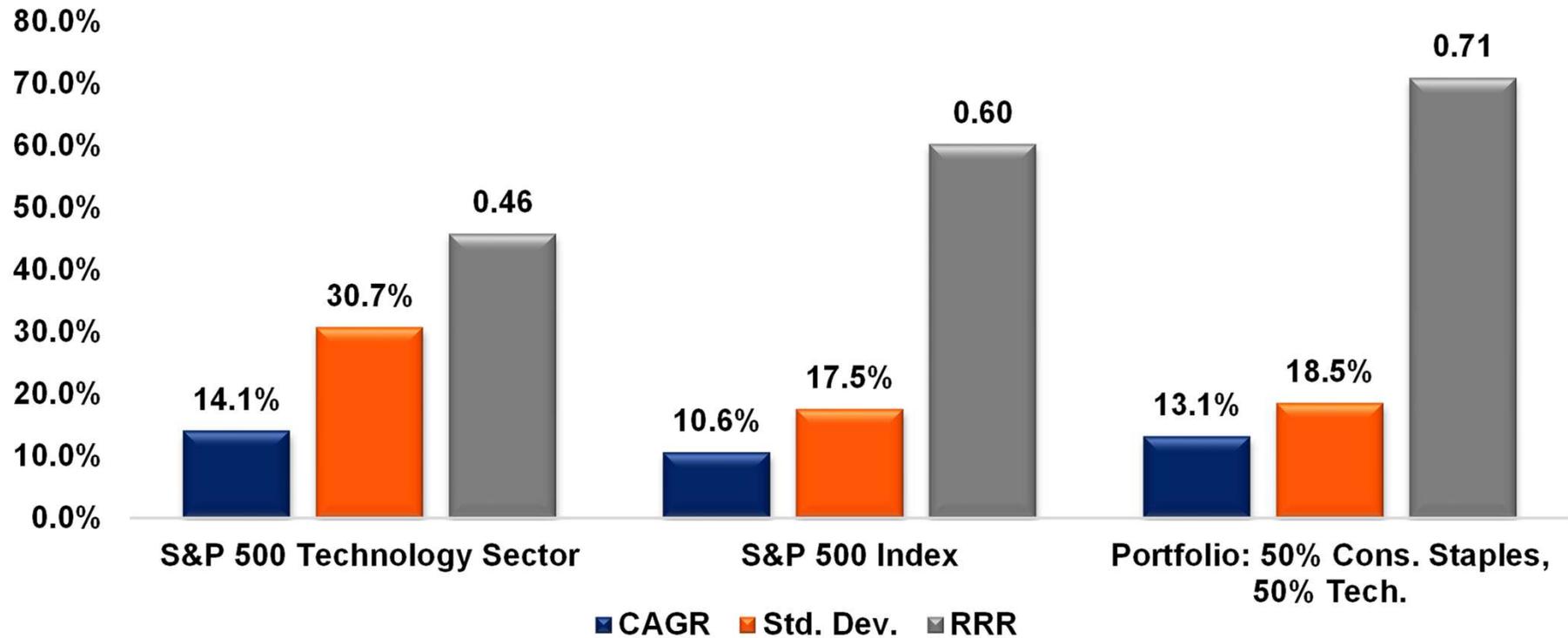
Monthly Rebalancing of Equal Exposure to Top 4 / Bottom 4 Sectors

Returns and Alphas	S&P Regional Indices		
	S&P 500*	Euro 350**	AsiaPac**
CAGR 1990-2025			
Top 4 Sectors	10.8%	8.2%	5.4%
Benchmark	9.1%	5.2%	3.6%
Bottom 4 Sectors	6.0%	2.8%	0.3%
Freq. of Annual Gains			
Top 4 Sectors	83%	80%	60%
Benchmark	74%	67%	60%
Bottom 4 Sectors	75%	60%	47%
Freq. of Beating Benchmark			
Top 4 Sectors	66%	80%	67%
Benchmark	NA	NA	NA
Bottom 4 Sectors	45%	53%	47%

Source: CFRA, S&P Global. Past performance is no guarantee of future results. *Since 1990. **Since 2010. Rankings as of 1/13/2025.

FREE LUNCH: Combining Growth & Defensive Sectors

A 50/50 Portfolio, Rebalanced Annually, Delivered 93% of Tech's Return with 40% Lower Risk



Source: CFRA, S&P Global. RRR: Risk-for-reward ratio. Past performance is no guarantee of future results. Data: 12/31/90-12/31/25.

This Bull Market Should Continue But Will Likely Face Stiffer Headwinds

Swift Reaction to the Tariff Turmoil:

- Swift decline, rapid recovery, followed by traditional post-correction recovery advance.

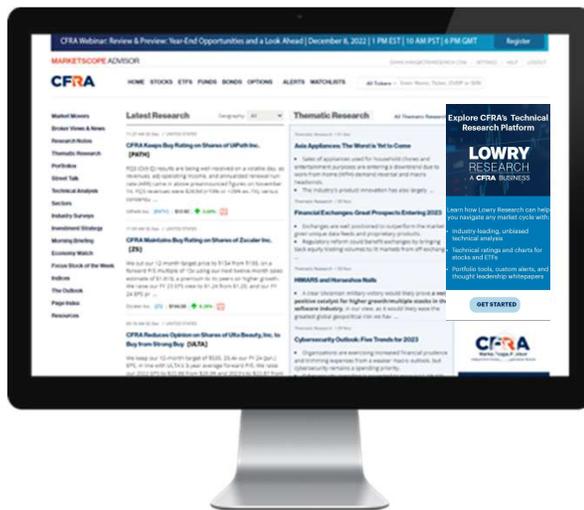
Q4 & 2026 EPS Optimism:

- Q3 was the 64th quarter out of the past 66 in which actual results exceeded expectations
- S&P 500 EPS growth for 2026 show from 11.8% in Q1 to 18.3% by Q4.

History Implies Moderated Full-Year Price Gain Accompanied by Elevated Volatility:

- Year 2 of easing cycle, 4th Year of Bull Market
- Subdued historical returns/frequencies of advance, and highest average annual drawdown
- Good year, not great year, is likely. Year-end S&P 500 target of 7,400.

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