

Stocks Trade Higher as Market Leadership Broadens

Services
Investment Management

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Monthly Market Summary

- The S&P 500 Index gained +1.5% in January, setting a new high as it traded above 7,000 for the first time. Large Cap Growth declined -1.5% as tech stocks traded lower, while Large Cap Value rose +4.6%. The Russell 2000 returned +5.4% and set new highs as market leadership rotated toward smaller companies.
- Energy led all S&P 500 sectors with a +14.4% return as oil prices rose nearly +15%. Seven of the eleven S&P 500 sectors outperformed the index, while the Financials, Technology, and Health Care sectors each traded lower.
- Bonds produced modest gains despite rising Treasury yields, with the U.S. Bond Aggregate gaining +0.1%. Corporate bonds outperformed as credit spreads tightened, with investment-grade gaining +0.4% and high-yield returning +0.5%.
- International stocks outperformed the S&P 500 as the U.S. dollar fell to a nearly 4-year low. Developed Markets gained +5.2%, outperforming the S&P 500 but underperforming Emerging Markets' +8.9% return.

Economic Activity Remains Solid Despite Weak Sentiment

Economic data continues to highlight a widening gap between how people feel and how the economy is performing. Measures of real activity, such as retail sales and industrial production, indicate the economy ended 2025 with solid momentum. In contrast, consumer confidence fell to multi-year lows, driven by concerns about inflation, job security, and geopolitical uncertainty, and an index of manufacturing conditions remained in contraction. The gap between sentiment and behavior has been a recurring theme over the past 12 months. Despite weak consumer and business confidence, data that measures actual spending and economic activity is supportive of continued growth.

Treasury Yields Rise as the Fed Pauses its Rate-Cutting Cycle Again

Treasury yields rose in January in anticipation that the Federal Reserve would pause its rate-cutting cycle. The shift was driven by better-than-expected economic data and signs of stabilization in the labor market. While job growth continued to slow and the number of job openings fell, unemployment unexpectedly declined and jobless claims remained low. The data points to a continued hiring slowdown, but the lack of widespread layoffs signals underlying stability. Overall, January's economic data offered little new information on inflation or growth, which allows the Fed to remain patient.

As anticipated, the Fed held interest rates steady at its late January meeting, ending a streak of three consecutive 0.25% cuts in late 2025. The policy statement struck a more optimistic tone compared to recent months, describing consumer spending and business activity as solid despite disruptions from the Q4 government shutdown. The Fed’s decision and commentary signal a wait-and-see approach as policymakers assess the lagged impact of last year’s cuts. Based on pricing in futures markets, the next rate cut isn’t expected until June.

Market Leadership Broadens & Commodity Prices Spike

Two market themes defined the month. First, market leadership shifted away from mega-cap technology stocks. Major indexes traded higher, but the average stock outperformed the index. The equal-weighted S&P 500 outperformed the traditional market-cap-weighted index, small-cap stocks outperformed the S&P 500 by nearly +4%, and the Value factor outperformed the Growth factor by over +5%. The rotation is a significant change after a small group of mega-cap stocks drove a large portion of the stock market’s recent gains. The shift is attributed to an improving economic outlook and a catch-up trade, as expensive mega-cap technology valuations prompt a rotation into more traditional, domestically focused companies that will benefit from lower interest rates and trade at more attractive valuations.

The second theme was a sharp rally in the commodity market. Despite late month volatility, gold rose +10% to a new high, silver surged over +20% to a new high, and oil prices rose to the highest level since last September. Investors turned to commodities as a hedge against global uncertainty, driven by geopolitical tensions, policy uncertainty, and a weaker U.S. dollar. The strength in commodity markets made Energy and Materials the top two performing sectors. This year’s start, with the stock market rotation and commodity rally, highlights how portfolio diversification can help smooth results when leadership shifts.

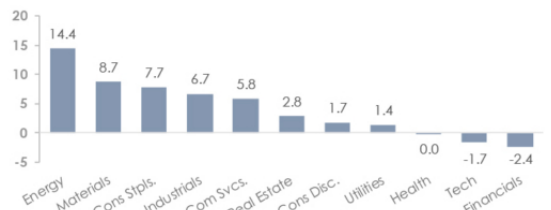
This Month in Numbers

FIGURE 1
U.S. Style Returns (January in %)

	Value	Blend	Growth
Large	4.6	1.5	-1.5
Mid	4.3	3.1	-0.9
Small	6.9	5.4	4.0

Data Reflects Most Recently Available As of 1/31/2026

FIGURE 2
U.S. Sector Returns (January in %)



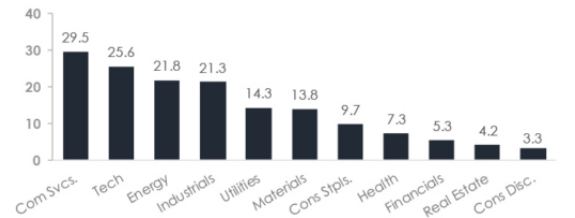
Data Reflects Most Recently Available As of 1/31/2026

FIGURE 3
U.S. Style Returns (1-Year in %)

	Value	Blend	Growth
Large	15.8	16.3	14.5
Mid	11.9	9.3	1.3
Small	17.9	15.8	13.9

Data Reflects Most Recently Available As of 1/31/2026

FIGURE 4
U.S. Sector Returns (1-Year in %)



Data Reflects Most Recently Available As of 1/31/2026

FIGURE 5
Market Data Center

Stocks	1 month	3 months	6 months	YTD	1 year	3 years	Dividend Yield	NTM P/E	P/B
S&P 500	1.5%	1.8%	10.1%	1.5%	16.3%	77.7%	1.05%	22.2x	5.3x
Dow Jones	1.8%	3.2%	11.7%	1.8%	11.7%	51.9%	1.41%	20.6x	5.5x
Russell 2000	5.4%	5.7%	18.9%	5.4%	15.8%	41.2%	0.98%	23.9x	2.2x
Russell 1000 Growth	-1.5%	-3.9%	6.1%	-1.5%	14.5%	105.1%	0.36%	27.6x	13.1x
Russell 1000 Value	4.6%	8.1%	13.7%	4.6%	15.8%	46.9%	1.61%	17.6x	3.1x
MSCI EAFE	5.2%	9.1%	17.4%	5.2%	31.8%	59.2%	3.22%	15.8x	2.2x
MSCI EM	8.9%	9.5%	24.1%	8.9%	43.7%	61.5%	2.06%	13.2x	2.3x
NASDAQ 100	1.2%	-1.0%	10.4%	1.2%	19.8%	116.2%	0.45%	25.7x	8.4x

Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years	Commodities	Level	1 month	YTD
U.S. Aggregate	4.36%	0.1%	0.6%	0.1%	6.8%	11.3%	Oil (WII)	65.74	14.5%	14.5%
U.S. Corporates	4.82%	0.4%	0.7%	0.4%	7.5%	16.0%	Gasoline	2.08	19.7%	19.7%
Municipal Bonds	3.42%	0.7%	1.1%	0.7%	4.6%	9.8%	Natural Gas	4.42	41.1%	41.1%
High Yield Bonds	6.54%	0.5%	1.6%	0.5%	7.5%	28.8%	Propane	0.63	-0.5%	-0.5%
							Ethanol	1.52	-8.2%	-8.2%
							Gold	4,909	13.1%	13.1%
							Silver	85.25	20.7%	20.7%
							Copper	5.90	4.7%	4.7%
							Steel	972	1.8%	1.8%
							Corn	4.28	-2.7%	-2.7%
							Soybeans	10.54	3.3%	3.3%

Key Rates	1/31/2026	12/31/2025	10/31/2025	7/31/2025	1/31/2025	1/31/2023
2 yr Treasury	3.53%	3.48%	3.60%	3.94%	4.20%	4.21%
10 yr Treasury	4.26%	4.17%	4.09%	4.36%	4.55%	3.53%
30 yr Treasury	4.89%	4.84%	4.66%	4.89%	4.80%	3.66%
30 yr Mortgage	6.21%	6.25%	6.26%	6.78%	7.01%	6.21%
Prime Rate	6.75%	6.75%	7.00%	7.50%	7.50%	7.50%

Data Reflects Most Recently Available As of 1/31/2026

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The S&P 500 Index or Standard & Poor's 500 Index is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S.

The Russell 2000 index measures the performance of approximately 2,000 small-cap US equities.

The MSCI EAFE Index is a stock market index that measures the performance of large- and mid-cap companies across 21 developed markets countries around the world. Canada and the USA are not included.

The MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries.

The Nasdaq 100 Index is a stock index of the 100 largest companies by modified market capitalization trading on Nasdaq exchanges.

The Russell 1000 Growth index is an index that tracks large cap, growth stocks. This benchmark is important for investors that might tilt their investments towards large cap growth. Growth stocks, in comparison to value stocks, are considered companies with a more growth potential, and a higher risk profile.

The Russell 1000 Value index is an index that tracks large cap, value stocks. This benchmark is important for investors that might tilt their investments towards large cap value. Value stocks, in comparison to growth stocks, are considered companies with a stable cash flow, and more mature business model.

The Dow Jones Industrial Average, or simply the Dow, is a stock market index that indicates the value of 30 large, publicly owned companies based in the United States, and how they have traded in the stock market during various periods of time. These 30 companies are also included in the S&P 500 Index. The value of the Dow is not a weighted arithmetic mean and does not represent its component companies' market capitalization, but rather the sum of the price of one share of stock for each component company. The sum is corrected by a factor which changes whenever one of the component stocks has a stock split or stock dividend, so as to generate a consistent value for the index.

The Bloomberg US Aggregate Bond Index is used as a benchmark for investment grade bonds within the United States. This index is important as a benchmark for someone wanting to track their fixed income asset allocation.

The Bloomberg US Corporate Index covers performance for United States corporate bonds. This index

serves as an important benchmark for portfolios that include exposure to investment grade corporate bonds.

The Bloomberg US Corporate High Yield Index covers performance for United States high yield corporate bonds. This index serves as an important benchmark for portfolios that include exposure to riskier corporate bonds that might not necessarily be investment grade.

Treasuries, also known as Treasury securities, are debt obligations issued by the United States government. They are used to raise cash needed to fund government operations and help finance the federal deficit. Treasuries are backed by the full faith and credit of the US government, making them one of the safest investments. They are an important instrument in monetary policy, allowing central banks to control the money supply.

The Prime Rate is the interest rate that commercial banks charge their most creditworthy corporate customers. The prime rate is derived from the federal funds rate, usually using fed funds + 3 as the formula.