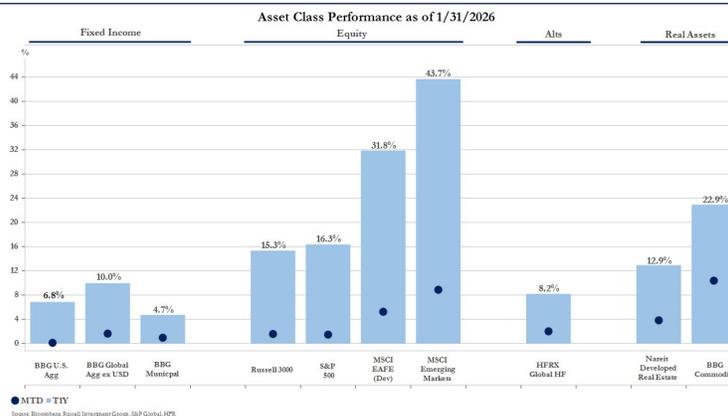


Key Takeaways

- Global GDP growth is expected to remain stable in 2026, broadly matching 2025 levels, with the U.S. maintaining a relative growth advantage over most developed peers.
- U.S. growth expectations are supported by tax policy, real wage gains, and rising household wealth, while Europe, particularly Germany, faces more muted momentum. Longer-term growth is increasingly linked to AI-related infrastructure and capital investment, though near-term benefits remain uneven.
- Consumer spending continued to support growth, even as a K-shaped economy weighed on confidence among lower-income households. Markets broadly maintained a risk-seeking posture across equities and credit, with renewed interest in non-U.S. assets, though policy uncertainty and concerns that the AI trade has become overbought contributed to periodic bouts of volatility.
- Global equities posted modest gains in January despite heightened volatility. Emerging markets significantly outperformed developed markets, supported by strong Asian export data and improving cyclical momentum across manufacturing, trade flows, and domestic consumption. The S&P 500 reached a historic milestone, crossing 7,000 for the first time on January 28th, while the Nasdaq and Russell 2000 also posted gains, highlighting improving small-cap participation despite mid-month volatility.
- The FOMC held the policy rate steady at its January meeting, citing the need for greater confidence that inflation is moving sustainably toward target before easing further. Policymakers remain data-dependent, with markets currently pricing in one to two rate cuts in 2026.
- Inflation has continued to moderate but remains elevated in services-related categories, particularly housing and core services ex-housing, suggesting that progress toward the Federal Reserve’s target is likely to remain uneven.
- The labor market remains soft, with slower job growth and easing wage pressures pointing to reduced inflationary risk, though overall conditions remain healthy by historical standards. Assessment of recent economic conditions remains complicated, as several key data releases continue to reflect residual distortions and delays following last year’s government shutdown, limiting policymakers’ ability to fully gauge underlying momentum.
- Internal debate within the Federal Reserve persists over whether policy remains sufficiently restrictive, while heightened political scrutiny and diverging views on the medium-term path for rates have added to uncertainty around the policy outlook.
- Late in January, Kevin Warsh’s nomination as Federal Reserve chair became the defining market event, triggering sharp reversals across currencies, precious metals, and risk assets as expectations shifted toward a more hawkish, independent Fed.
- During his tenure as a Federal Reserve Governor from 2006 to 2011, Warsh developed a hawkish reputation rooted in inflation concerns and opposition to expansive monetary stimulus, including criticism of quantitative easing, large-scale asset purchases, and balance-sheet expansion despite his advisory role during the 2008 financial crisis.
- More recent commentary, however, suggests this stance has moderated somewhat, with Warsh open to lower rates if supported by AI-driven productivity dynamics while remaining skeptical of unconventional easing.
- The US dollar fell to a four-year low before rebounding sharply after the Warsh announcement, driving large currency swings and contributing to gold and silver’s worst single-day declines since 1980 after both metals surged throughout 2025 and into early 2026.
- While the broader consensus remains constructive, uncertainty persists, and investors are generally best served by aligning portfolios with long-term goals and risk tolerance while maintaining diversification, particularly as emerging AI-related business model concerns have driven bouts of severe sector-specific volatility (e.g., enterprise SaaS, legal-oriented businesses).



Economy

Labor Market Remains Cool

- The U.S. labor market has not yet turned a corner, with January job growth slowing to its weakest pace since 2020 as tighter financial conditions weigh on hiring.
- Despite softer payroll growth, the unemployment rate remains near mid-cycle levels, supported by historically low layoff activity.
- Outside of healthcare and social services, job growth turned negative in 2025, prompting the Fed to highlight rising downside risks.
- Even with a tepid labor market, consumers are expected to remain relatively resilient, underpinned by strong household balance sheets and excess savings, even as hiring momentum fades.

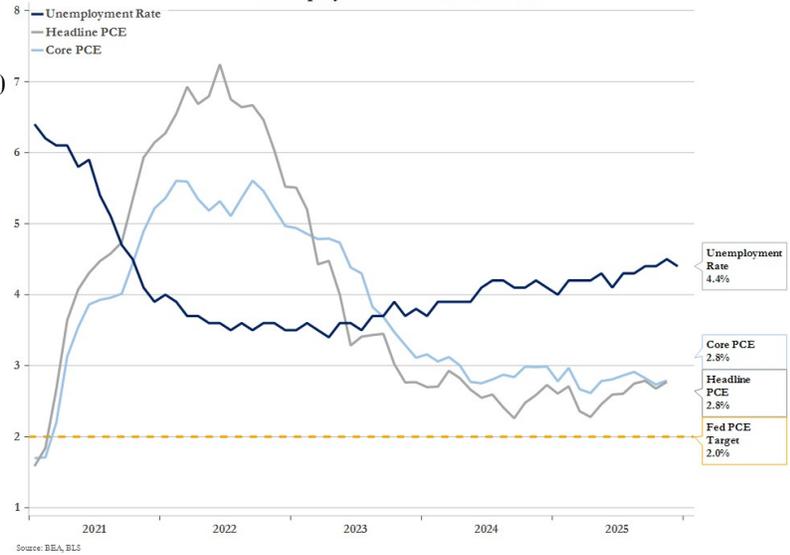
Sentiment Remains Low

- Consumer spending remains the primary driver of U.S. economic growth, with retail sales continuing to exceed expectations.
- In recent earnings calls, forward guidance has remained broadly constructive, pointing to continued consumer resilience as the economy heads into 2026.
- At the same time, business confidence edged lower and consumer confidence weakened materially, reflecting heightened concerns around labor market conditions, inflation, geopolitical risks, and political uncertainty.
- Inflation has continued to ease, with five-year inflation expectations declining meaningfully from earlier peaks, though upside risks remain if energy prices rise, supply chains are disrupted, or new tariffs add cost pressures.

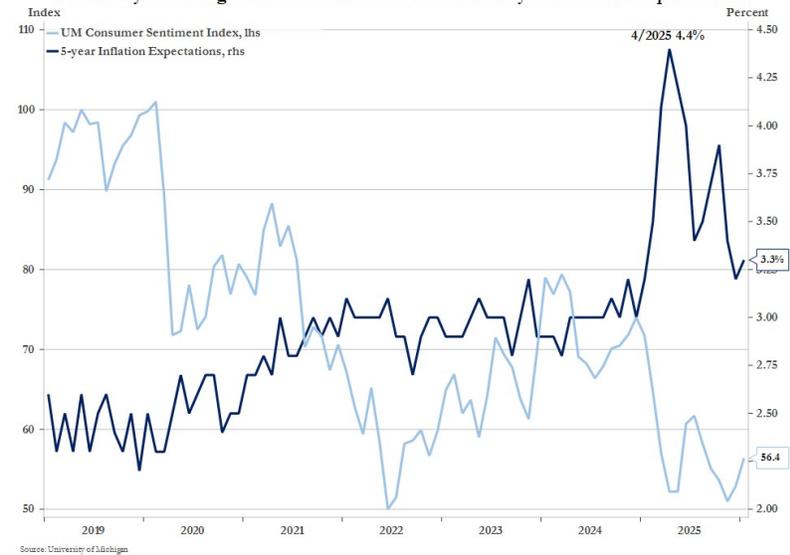
USD Bounces With New Fed Chair

- The U.S. dollar weakened in January, falling roughly 1.1% and briefly touching a four-year low before stabilizing toward month-end.
- Late in the month, the dollar staged a sharp but short-lived rally following stronger-than-expected U.S. producer price index data, underscoring sensitivity to inflation surprises.
- Kevin Warsh's nomination as Federal Reserve chair added to volatility, as markets reassessed the policy outlook in light of his historically hawkish views on inflation and balance-sheet expansion.
- Broader dollar softness has increasingly been viewed as a structural theme, supporting flows into gold, emerging markets, and selective hedges.

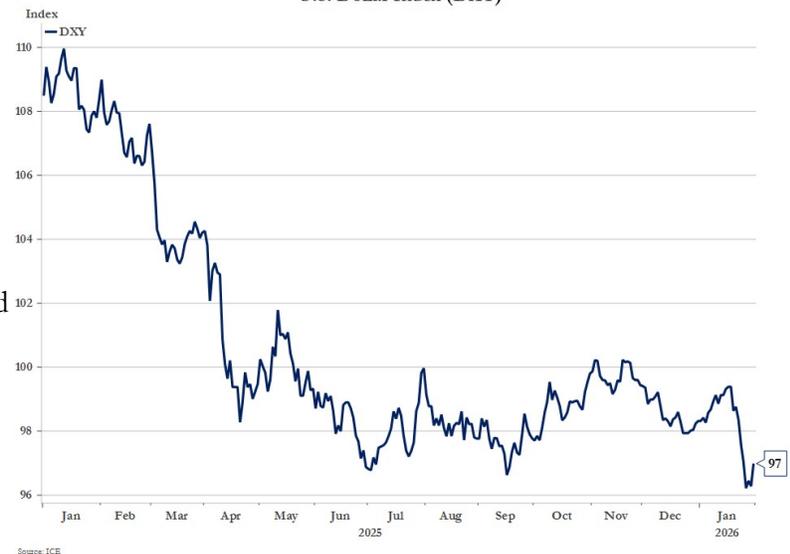
Unemployment and PCE Inflation



University of Michigan Consumer Sentiment Index & 5-year Inflation Expectations



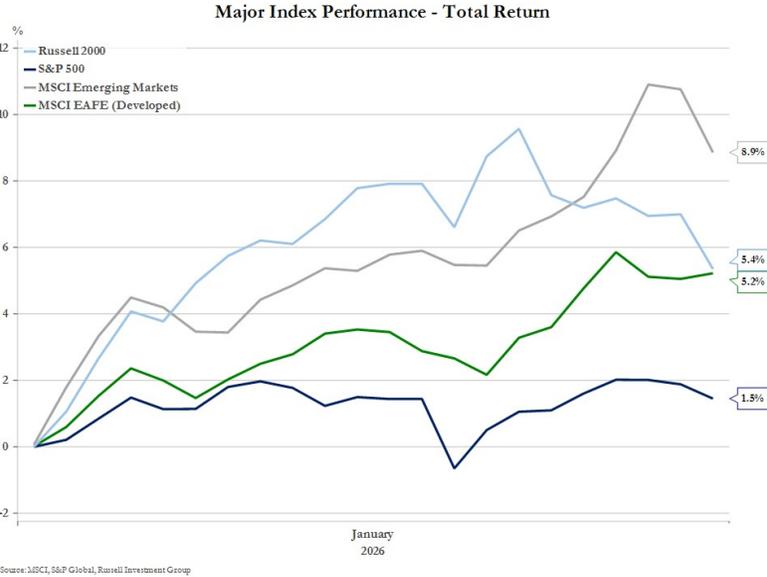
U.S. Dollar Index (DXY)



Markets

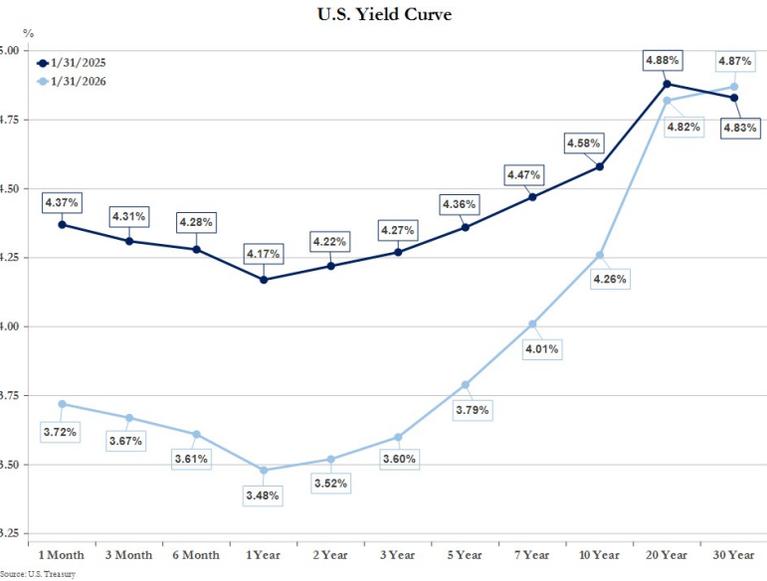
Positive Start to 2026 for Global Equities

- U.S. equities reached new all-time highs in January, led by technology stocks and supported by strong corporate earnings, though leadership remained relatively concentrated.
- Despite solid monthly gains, U.S. equities continued to underperform global peers in early 2026 as non-U.S. earnings momentum improved.
- Investor interest in diversifying equity exposure outside the U.S. has increased, supported by more attractive valuations and improving earnings prospects abroad.
- European equities posted moderate gains and reached record highs early in the month, while Asian markets delivered their strongest start to a year on record, driven by capital inflows and optimism around China.



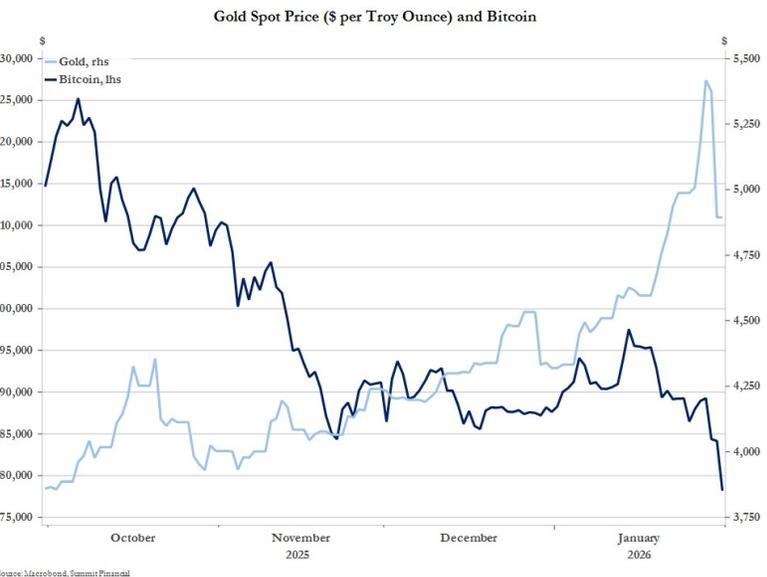
Fixed Income Supportive in January

- Fixed income markets opened 2026 on a solid footing, with credit delivering positive returns as spreads remained tight and risk appetite remained strong.
- Municipal bonds performed well amid strong demand and relatively light issuance, benefiting from stable fundamentals and modest declines in yields.
- Treasury yields moved modestly higher in January and the yield curve steepened, as longer-dated bonds underperformed despite mid-month easing, reflecting concerns over fiscal deficits, sticky inflation, and rising term premiums.
- High-yield and lower-rated credit outperformed, supported by attractive carry and continued demand for income-oriented assets.



Increased Volatility for Gold & Bitcoin

- Gold surged to record highs early in January on safe-haven demand and dollar weakness, before reversing sharply after the Kevin Warsh Fed chair nomination strengthened the dollar and triggered aggressive profit-taking and margin-related selling.
- Despite the sharp correction and extreme volatility, gold finished the period meaningfully higher, highlighting continued investor sensitivity to policy uncertainty and real-rate dynamics.
- Bitcoin declined steadily throughout January, breaking below key psychological levels amid weak demand, heavy ETF outflows, and deteriorating market sentiment, with losses deepening late in the month.



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Label	Index	Index Description
BBG U.S. Agg	Bloomberg U.S. Aggregate Bond Index	The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS, and CMBS (agency and non-agency).
BBG Global Agg ex USD	Bloomberg Global Aggregate Index	The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes Treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers.
BBG Municipal	Bloomberg Municipal Bond Index	The Bloomberg Municipal Bond Index covers the U.S. dollar-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.
Russell 3000	Russell 3000 Index	The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. It is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are included.
Russell 2000	Russell 2000 Index	The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.
S&P 500	S&P 500 Index	The S&P 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity, and industry group representation. Included are the stocks of eleven different sectors.
MSCI EAFE (Dev)	MSCI EAFE Index	The MSCI EAFE Index (Europe, Australasia, Far East) captures large- and mid-cap representation across developed markets countries around the world, excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country.
MSCI Emerging Markets	MSCI Emerging Markets Index	The MSCI Emerging Markets Index captures large- and mid-cap representation across emerging markets countries across the world. The index covers approximately 85% of the free float-adjusted market capitalization in each country.
HFRX Global HF	HFRX Global Hedge Fund Index	The HFRX Global Hedge Fund Index is comprised of funds representing the overall hedge fund universe. Constituent funds include but are not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event-driven, macro, merger arbitrage, and relative value arbitrage. The underlying strategies are asset-weighted based on the distribution of assets in the hedge fund industry.
Nareit Developed Real Estate	FTSE EPRA/NAREIT Developed Index	The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITS worldwide. Index constituents are free float-adjusted, subject to liquidity, size, and revenue screening for inclusion.
BBG Commodity	Bloomberg Commodity Index	The Bloomberg Commodity Index reflects commodity futures price movements and is calculated on an excess return basis. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production, and weight-caps are applied at the commodity, sector, and group level for diversification. The roll period typically occurs from the 6th-10th business day based on the roll schedule.
Consumer Confidence Index	Conference Board Consumer Confidence Index	The Consumer Confidence Index is a measure based on a survey administered by The Conference Board that reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitude, buying intentions, vacation plans, and consumer expectations for inflation, stock prices, and interest rates.
U.S. Dollar Index (DXY)	U.S. Dollar Index (DXY)	The U.S. Dollar Index (DXY) is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies.
DJIA	Dow Jones Industrial Average	The Dow Jones Industrial Average (DJIA), commonly known as “The Dow”, is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.
ISM Manufacturing Index	ISM Manufacturing Index	The ISM Manufacturing Index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of executives covering all North American Industry Classification System's businesses in the manufacturing sector.
ISM Non-Manufacturing Index	ISM Non-Manufacturing Index	The ISM Non-Manufacturing Index is a monthly indicator of U.S. economic activity based on a survey of executives covering all North American Industry Classification System's businesses in the services (or non-manufacturing) sector.