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Weekly Market Guide

The underpinnings of the market remain healthy, with current price action reflecting a consolidation phase. The swift rebound following the recent drawdown underscores market resiliency and investors' willingness to buy on pullbacks. Improved market breadth adds another positive signal. However, a decisive breakout and sustained strength would be needed to exit this consolidation range.

Influence of Fed Cuts On Equities: Since the last rate cut, the market has been greatly influenced by the shifting rate cut expectations. While today's Fed decision was largely in line with expectations, the coming days and weeks will reveal how the market interprets the policy stance going forward. If the expectation is for a more accomodative policy from the Fed, equity markets may continue their upward trajectory due to the support by the Fed policy. However, a more hawkish takeaway, like we saw immediately following the last rate cut, could pressure equities, and keep equities within the recent consolidation phase.

Testing Resistance: That said, the market is now testing resistance near prior highs. Seasonality supports further upside in equities, so we watch 6920 as the initial resistance followed by 7162. On the downside, we see initial support at the 50-DMA (6755), followed by 6536.

Underlying Positives: The K-shaped economy has created notable bifurcation beneath the surface. Recently, however, sector performance has skewed more positively, with some "old economy" areas beginning to show signs of improvement with both the banks and transports showing improvement. Additionally, breadth has broadened out within the Technology sector, which could help sustain the strength of the market.

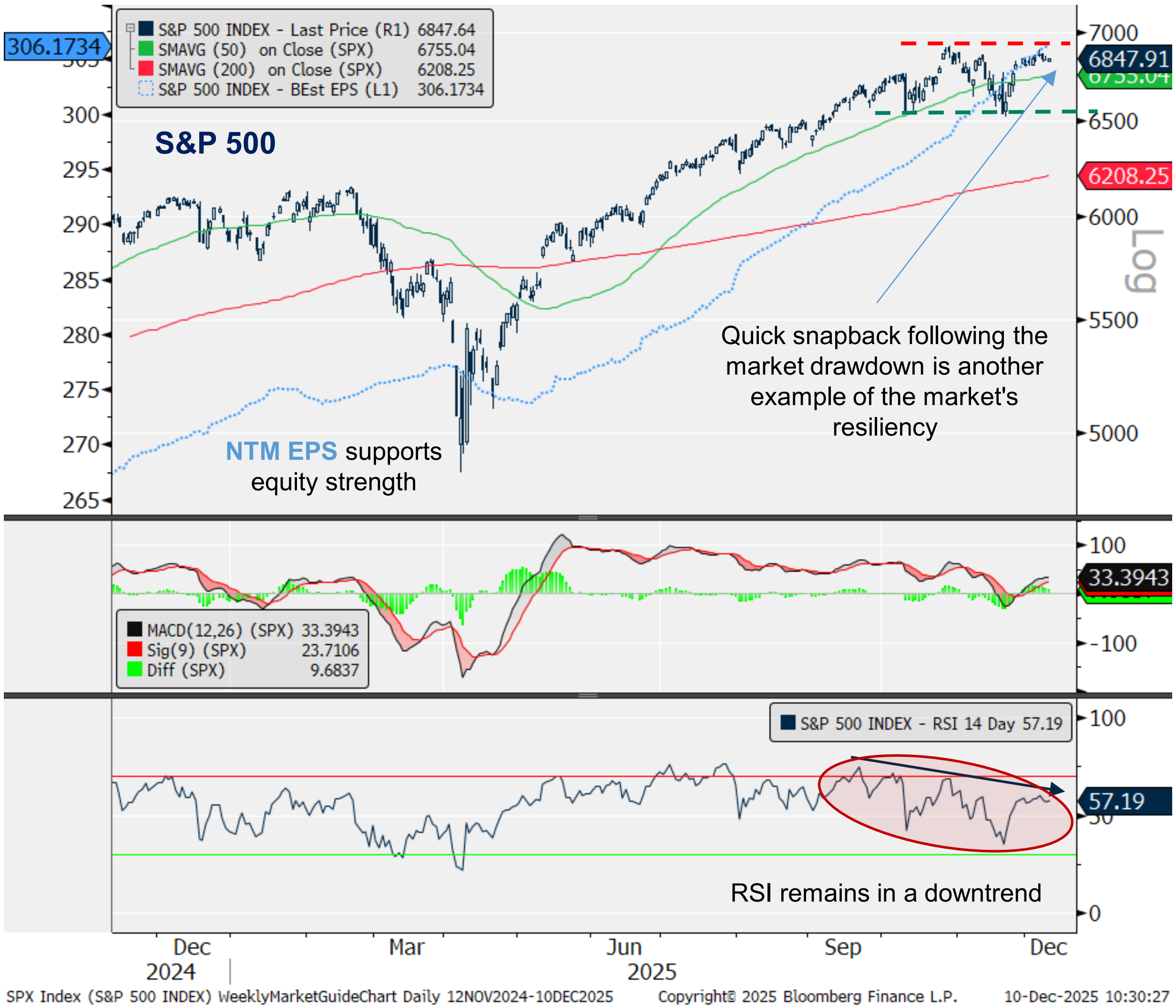
In Sum: Longer term, we remain constructive. Earnings have historically been the primary driver of equity returns, and corporate profits remain strong. EPS revisions have trended positively on optimism for significant monetary and fiscal stimulus as we move into 2026. We continue to view periods of weakness as buying opportunities and maintain an upward bias toward equities over the next 12–18 months.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	11.8%	7.1%
S&P 500	16.3%	13.0%
S&P 500 (Equal-Weighted)	8.4%	3.2%
NASDAQ Composite	22.1%	19.5%
Russell 2000	13.3%	5.6%
MSCI All-Cap World	19.6%	15.6%
MSCI Developed Markets	24.7%	19.5%
MSCI Emerging Markets	28.2%	23.8%
NYSE Alerian MLP	2.9%	0.4%
MSCI U.S. REIT	-1.2%	-6.9%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Communication Svcs.	32.7%	10.6%
Information Technology	26.7%	35.5%
S&P 500	***16.3%***	-
Industrials	16.0%	8.0%
Utilities	12.2%	2.2%
Financials	9.9%	13.1%
Health Care	8.6%	9.3%
Energy	5.9%	2.9%
Consumer Discretionary	4.0%	10.2%
Materials	2.9%	1.6%
Consumer Staples	1.3%	4.8%
Real Estate	-0.9%	1.7%

Source: FactSet

Technical: S&P 500



The underpinnings of the market remain healthy:

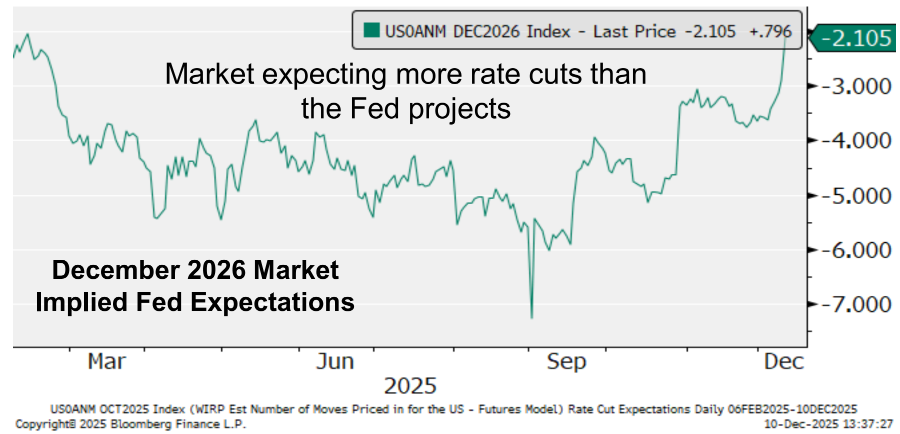
- **Technical:** The quick snapback from the recent 5% drawdown highlights market resilience/investor desire to accumulate weakness. Broader participation adds another positive signal as the market is now testing resistance at prior highs
  - **Resistance:** 6920 followed by 7162
  - **Support**: 50-DMA (6755), followed by 6536
- **Catalysts:** Government shutdown muddies the economic picture; however, the economy remains resilient and healthy (driven by services), although the jobs market has softened.
- **Earnings: Top driver of long-term equity performance** – corporate profits remain strong, and estimate revisions are positive. Margins are holding up at elevated levels with secular growth themes, productivity gains, and anticipated monetary and fiscal stimulus in 2026.

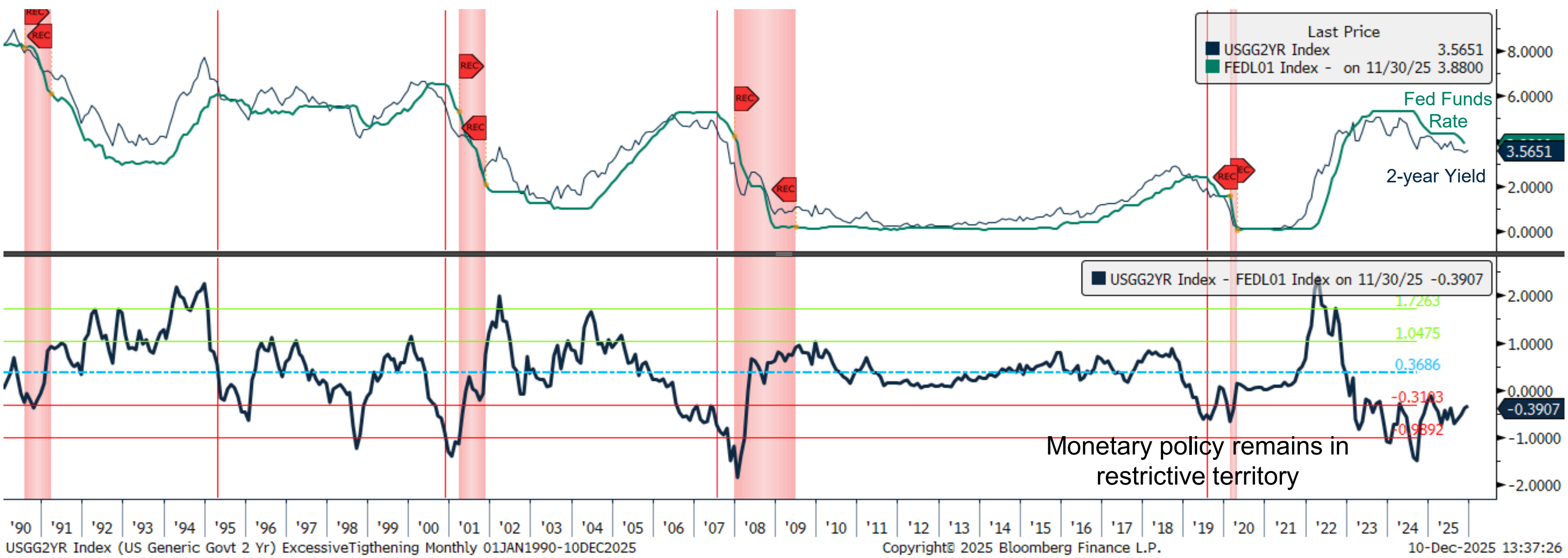
We continue to view periods of weakness as buying opportunities and maintain an upward bias toward equities over the next 12–18 months.

Source: Bloomberg, FactSet

Fed

As expected, the Fed cut rates by 25 bps at its December meeting. However, policymakers were divided in their assessment of the economy, with three dissenting votes—two favoring no cut. In a more hawkish signal, the Fed's projections now call for only one rate cut in 2026, compared to market expectations for two. With monetary policy in restrictive territory, coupled with rising employment risks and easing inflation pressures, the market expectations is for additional rate cuts than the Fed is anticipating. Importantly, looser policy should help stimulate economic activity going forward.

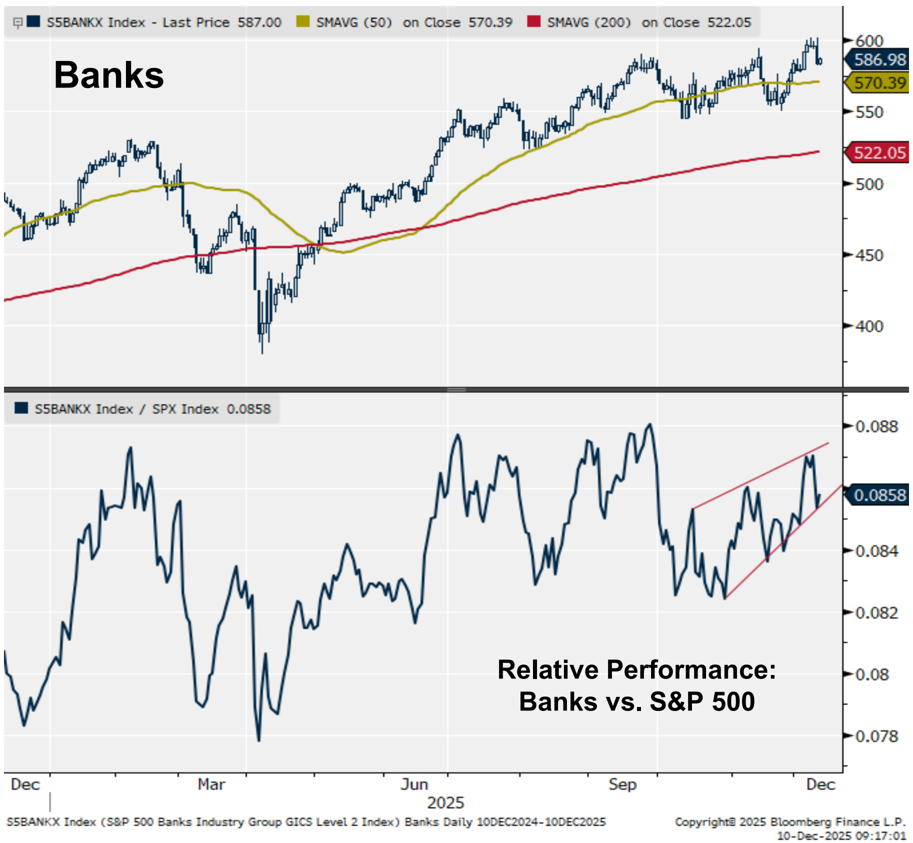


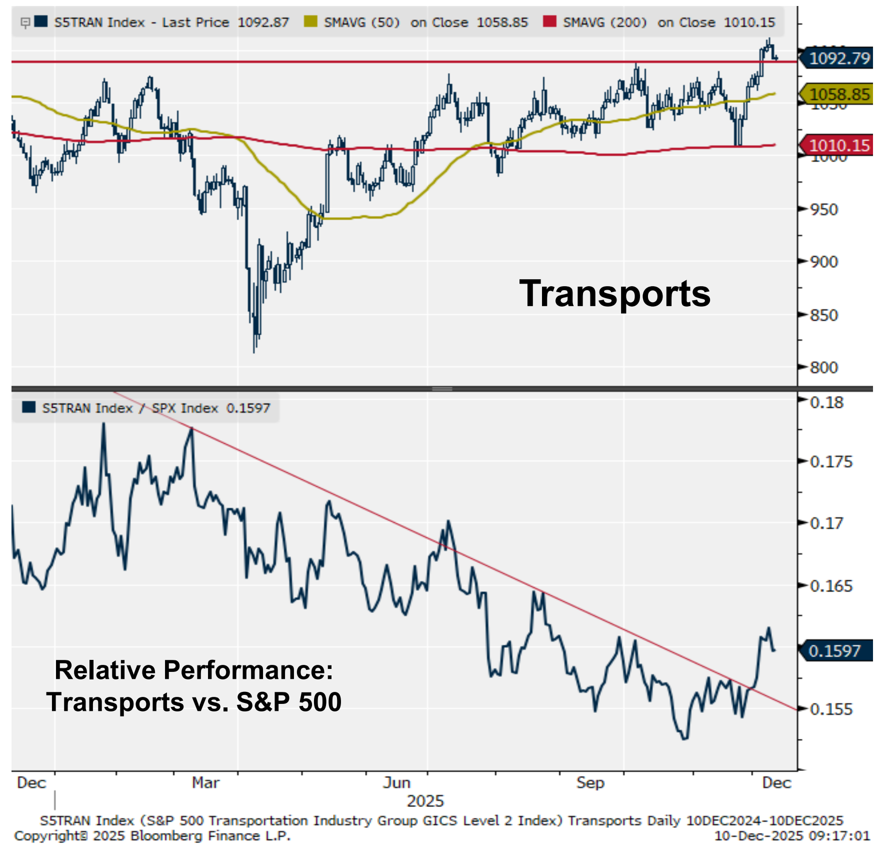


Source: Bloomberg, FactSet

Underlying Positives- Strength from the "Old Economy"

The K-shaped economy has created notable bifurcation beneath the surface. Recently, however, sector performance has skewed more positively, with some "old economy" areas beginning to show signs of improvement. Banks are exhibiting higher lows and higher highs, suggesting a constructive technical pattern and improving relative performance. Additionally, transports—an early-cycle cyclical group—have recently broken out in both price and relative strength, signaling a positive technical development. We will continue to monitor whether this momentum can be sustained.

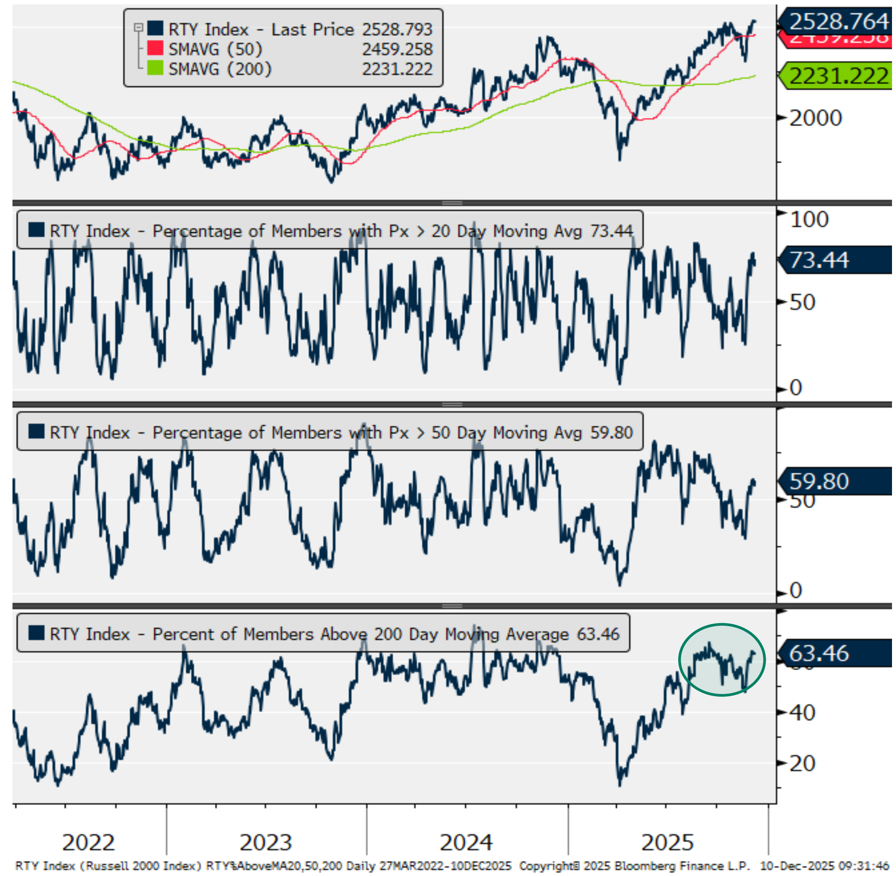




Source: Bloomberg, FactSet

Small-Caps

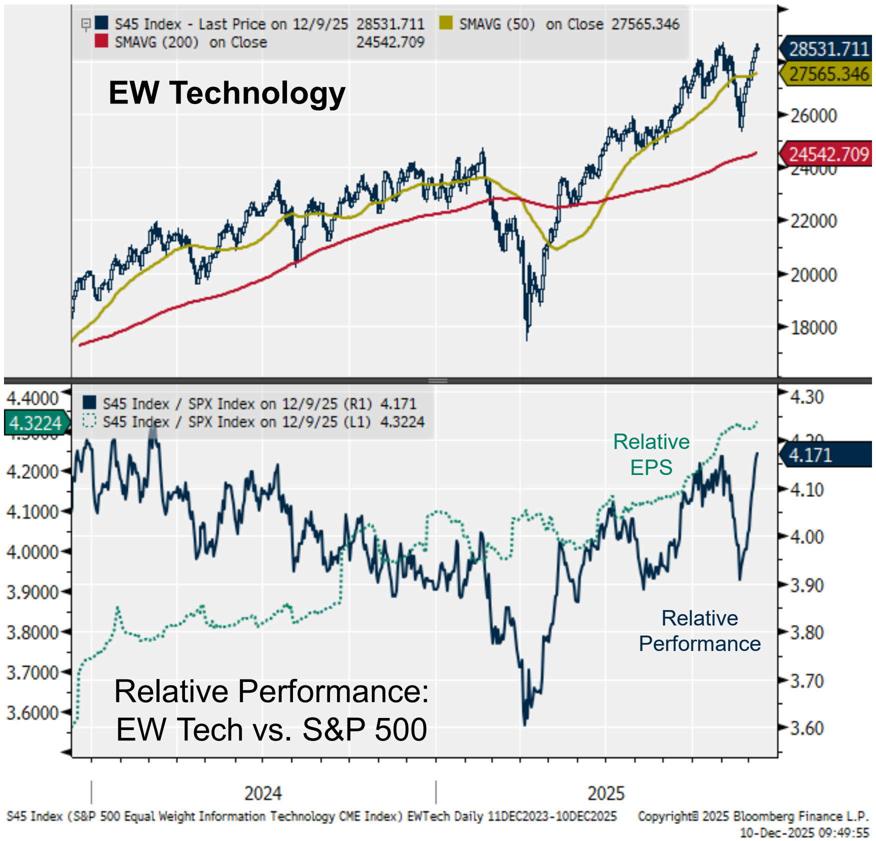
The Russell 2000 is showing signs of a potential turn. Price action is approaching a breakout level, relative earnings trends have improved, and relative performance has moved well off recent lows. Additionally, the percentage of constituents trading above the 200-day moving average has strengthened and remains near recent highs. Valuations continue to support small-cap equities, and we would look for further confirmation of sustainability if the Russell 2000 can break out and hold above current resistance.

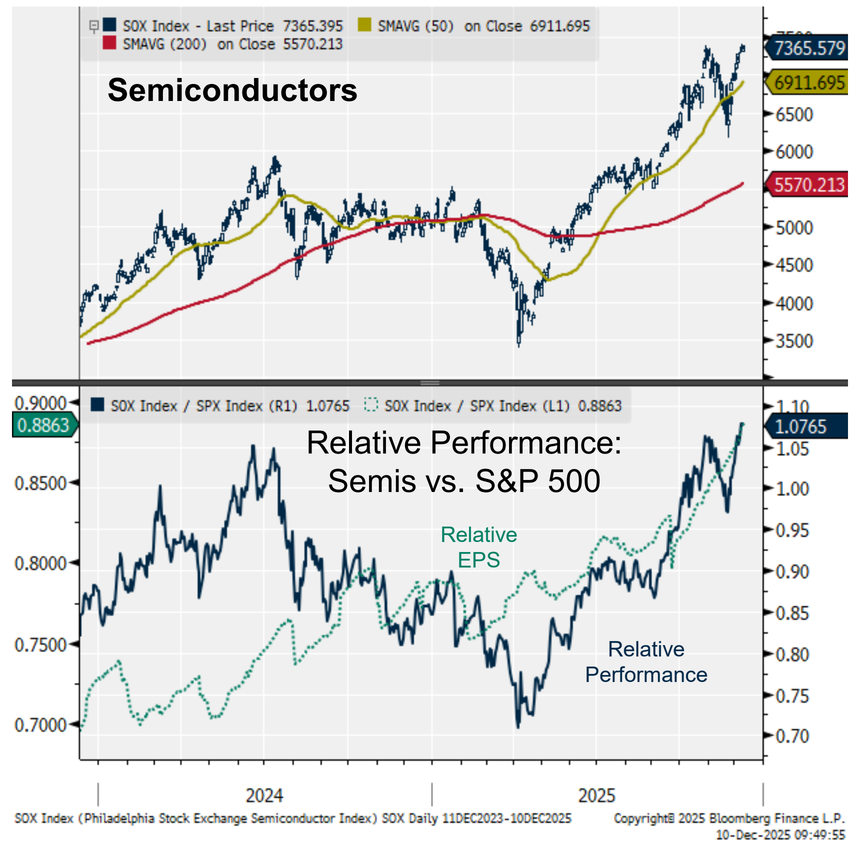


Source: Bloomberg, FactSet

Technology and Semiconductors

Breadth within the Technology sector is beginning to broaden. The “average” stock in the sector is breaking out in both price and relative performance, supported by strong relative earnings trends. At the same time, semiconductors have shown notable strength, with price action approaching a breakout and relative performance already breaking higher. While valuations across Technology remain elevated, the improvement in breadth is a constructive technical signal.





Source: Bloomberg, FactSet

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Index Definitions

The **S&P 500** is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

The **Dow Jones Industrial Average (DJIA)** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

The **NASDAQ Composite** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The **MSCI World All Cap Index** captures large, mid, small and micro-cap representation across 23 Developed Markets (DM) countries. With 11,732 constituents, the index is comprehensive, covering approximately 99% of the free float-adjusted market capitalization in each country.

The **MSCI EAFE (Europe, Australasia, and Far East)** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in 23 emerging market countries. The index's three largest industries are materials, energy, and banks.

The **Russell 2000** index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks.

The **NYSE Alerian MLP** is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

The **Barclays Intermediate Government/Credit Bond** index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

The **Euro Stoxx 50 Index** is a market capitalization weighted stock index of 50 large, blue-chip European companies operating within Eurozone nations. Components are selected from the Euro STOXX Index which includes large-, mid- and small-cap stocks in the Eurozone.

The **China CSI 300** is a capitalization-weighted stock market index designed to replicate the performance of top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. It had a sub-indexes CSI 100 Index and CSI 200 Index.

The **S&P 500 Futures** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **DJIA Futures** is a stock market index futures contract traded on the Chicago Mercantile Exchange`s Globex electronic trading platform. Dow Futures is based off the Dow 30 stock index.

The **Nasdaq 100 Futures** is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international companies listed on the NASDAQ.

Europe: DAX (Deutscher Aktienindex (German stock index)) is a blue chip stock market index consisting of the 40 major German companies trading on the Frankfurt Stock Exchange.

Asia: Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.