

PERSPECTIVES AND POSITIONS

By James Dykstal, CFA, Portfolio Manager, January 2026

This is a summary of our views on the economy and markets based on data through January 2026.

Economy

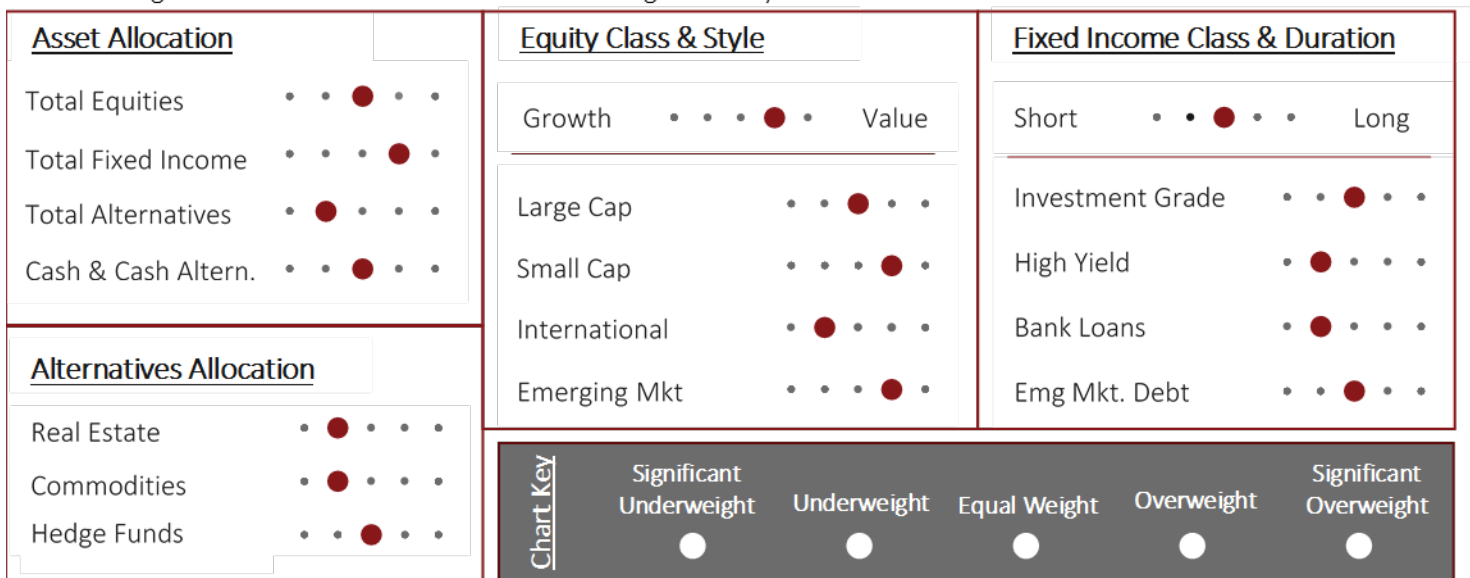
- U.S. GDP Growth – The Federal Reserve cuts interest rates by 25 basis points as expected and now has completed three cuts to end the year. The futures market expects two more rate cuts by the end of 2026. GDP growth is expected to be somewhat accelerate into 2026.
- The unemployment rate has decreased slightly to 4.4% in December from 4.4% in November. Payrolls increased 50,000 in December. Due to the government shutdown, there has been a dearth of data points from government sources. However, employment does show some slowing.
- The market continued to generate strong returns in the quarter as the cut in the fed funds rate seemed to have bolstered the equity markets. Bond yields fell in the shorter end of the Treasury maturity curve.

Markets

- The economy looks to be growing at a modest and steady pace and recession risks seem to be subsiding.
- Fixed Income – The Federal Reserve cut rates in December by 25 basis points. Currently, market expectations are that the Fed will cut rates 50 basis points by the end of 2026. We expect bonds to return coupon in 2026 as most of the interest rates cuts are in the past.
- Equities – We expect economic growth to be constructive for stocks. The dollar weakness in the first half of 2025 stalled in the second half of the year providing little boost to international returns. The expectation is that equities around the globe will digest the economic fundamentals and produce positive returns for 2026.

TACTICAL POSITIONS

The following is our current Model Portfolio Positioning Summary:



¹ Provided by our affiliate, Discretionary Management Services (DMS), LLC