

# Market Outlook

Everything Everywhere All at Once

Q1 2026



# Market Standouts and Laggards



## US Related

| ETF  | Description          | Q4    | 2025   |
|------|----------------------|-------|--------|
| SPY  | S&P 500              | 2.67% | 17.72% |
| DIA  | Dow Jones Ind        | 4.02% | 14.71% |
| QQQ  | Nasdaq 100           | 2.45% | 20.77% |
| IJH  | S&P Midcap 400       | 1.63% | 7.42%  |
| RSP  | S&P 500 Eq Weight    | 1.38% | 11.21% |
| QQQE | Nasdaq 100 Eq Weight | 0.69% | 14.38% |
| IWB  | Russell 1000         | 2.48% | 17.18% |
| IWM  | Russell 2000         | 2.08% | 12.66% |
| IWV  | Russell 3000         | 2.37% | 16.96% |

## Factors

| ETF  | Description         | Q4     | 2025   |
|------|---------------------|--------|--------|
| IVW  | Russell Growth      | 2.21%  | 21.95% |
| IVE  | Russell Value       | 3.17%  | 13.02% |
| IOK  | Midcap 400 Growth   | 1.25%  | 7.28%  |
| IJJ  | Midcap 400 Value    | 2.06%  | 7.27%  |
| IJT  | Smallcap 600 Growth | 0.05%  | 5.26%  |
| IJS  | Smallcap 600 Value  | 3.31%  | 6.54%  |
| DVY  | DJ Dividend         | 0.45%  | 11.60% |
| MTUM | Momentum            | -2.13% | 22.15% |
| USMV | Low Volatility      | -0.62% | 7.65%  |
| SIZE | Size                | 0.96%  | 10.51% |
| QUAL | Quality             | 2.43%  | 12.65% |

## Global

| ETF  | Description     | Q4     | 2025   |
|------|-----------------|--------|--------|
| EWA  | Australia       | -1.34% | 13.35% |
| EWZ  | Brazil          | 6.07%  | 48.81% |
| EWC  | Canada          | 7.64%  | 35.92% |
| MCHI | China           | -7.66% | 31.04% |
| EWQ  | France          | 2.93%  | 28.90% |
| EWG  | Germany         | 2.14%  | 35.79% |
| EWK  | Hong Kong       | 1.78%  | 34.50% |
| INDA | India           | 3.82%  | 2.68%  |
| EWI  | Italy           | 5.95%  | 55.72% |
| EWJ  | Japan           | 4.43%  | 25.84% |
| EWX  | Mexico          | 3.59%  | 53.65% |
| EIDO | Indonesia       | 7.58%  | 4.90%  |
| EWP  | Spain           | 10.42% | 78.03% |
| EIS  | Israel          | 10.80% | 45.11% |
| EWU  | UK              | 6.81%  | 34.95% |
| EFA  | EAFE            | 4.71%  | 31.55% |
| EEM  | Emerging Mkts   | 3.92%  | 33.98% |
| IOO  | Global 100      | 5.93%  | 27.02% |
| VT   | All World       | 3.19%  | 22.43% |
| CWI  | All World ex US | 4.72%  | 32.75% |

## Sectors

| ETF  | Description   | Q4     | 2025   |
|------|---------------|--------|--------|
| XLY  | Cons Disc     | -0.14% | 7.37%  |
| XLP  | Cons Stap     | -0.09% | 1.52%  |
| XLE  | Energy        | 0.94%  | 7.88%  |
| XLF  | Financials    | 2.03%  | 14.90% |
| XLV  | Health Care   | 11.70% | 14.50% |
| XLI  | Industrials   | 0.92%  | 19.35% |
| XLB  | Materials     | 1.73%  | 9.94%  |
| XLRE | Real Estate   | -3.18% | 2.63%  |
| XLK  | Technology    | 2.31%  | 24.61% |
| XLC  | Comm Services | -0.23% | 23.08% |
| XLU  | Utilities     | -1.36% | 16.03% |
| SMH  | Semis         | 10.69% | 49.17% |

## Currencies

| ETF | Description   | Q4     | 2025   |
|-----|---------------|--------|--------|
| FXB | British Pound | 0.81%  | 10.37% |
| FXE | Euro          | 0.26%  | 14.52% |
| FXJ | Yen           | -5.69% | 0.09%  |
| FXI | Dollar        | 0.52%  | -9.40% |

## Fixed Income

| ETF | Description         | Q4     | 2025  |
|-----|---------------------|--------|-------|
| SHY | 1-3 Yr Treasuries   | 1.07%  | 4.95% |
| IEI | 3-7 Yr Treasuries   | 1.07%  | 6.96% |
| IEF | 7-10 Yr Treasuries  | 0.93%  | 8.03% |
| TLH | 10-20 Yr Treasuries | 0.12%  | 6.47% |
| TLT | 20+ Yr Treasuries   | -1.04% | 4.25% |
| AGG | Aggregate Bond      | 0.94%  | 7.19% |
| TIP | T.I.P.S.            | -0.08% | 6.77% |
| JNK | High Yield          | 1.36%  | 8.76% |
| MBB | Mortgage-Backed     | 1.51%  | 8.38% |
| LQD | IG Corporate        | 0.34%  | 7.90% |

## Commodities

| ETF | Description   | Q4     | 2025    |
|-----|---------------|--------|---------|
| DBC | Commodities   | 2.59%  | 8.10%   |
| DBA | Agric Commod. | -1.19% | -0.56%  |
| USO | Oil           | -6.22% | -8.46%  |
| UNG | Nat. Gas      | -6.20% | -27.07% |
| GLD | Gold          | 11.49% | 63.68%  |
| SLV | Silver        | 52.04% | 144.66% |

# Traveka Wealth Market Outlook



## Current Market Setup:

1. AI and semiconductors powered market leadership in 2025
2. Precious metals and bonds rallied as rates fell and demand surged
3. International equities outperformed as a weak dollar boosted returns.

## Our View:

1. Valuations are high, creating the potential for a wide distribution of outcomes this year, discipline is key
2. Recession risk is elevated, but productivity gains, margin expansion, and a dovish Fed should bolster growth even if labor is challenged
3. Earnings growth in Europe may be too optimistic, but Japan and EM are the bright spots in international
4. Equities should outperform bonds, but it's an earnings driven story given valuations are high
5. 2026 will see more volatility and more market breadth
6. Key sector themes: AI not a bubble, Power remains the bottleneck, and Financials should continue to benefit from deregulation

## Key Risks:

1. Capex spend is draining stock buybacks, reducing a key support for equities
2. Labor market weakens faster than headline growth suggests
3. Second year of presidential cycle brings policy uncertainty
4. Lofty earnings growth expectations set a low bar for disappointment

Overall, we are responsibly bullish into 2026, but laser focused on what could go wrong

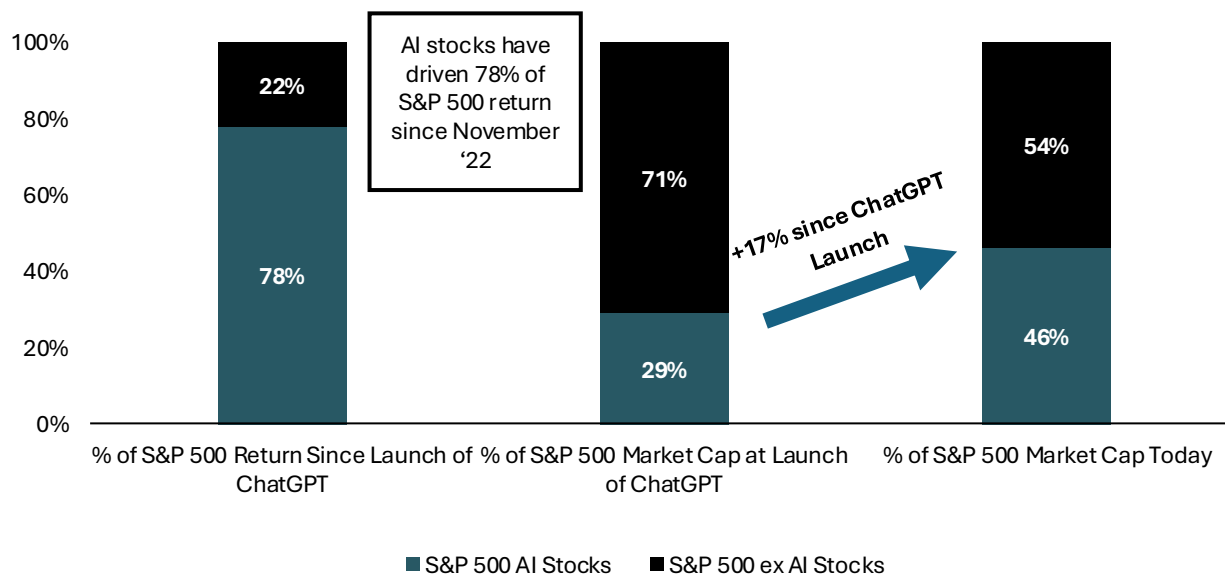


# 2025 - Year in Review

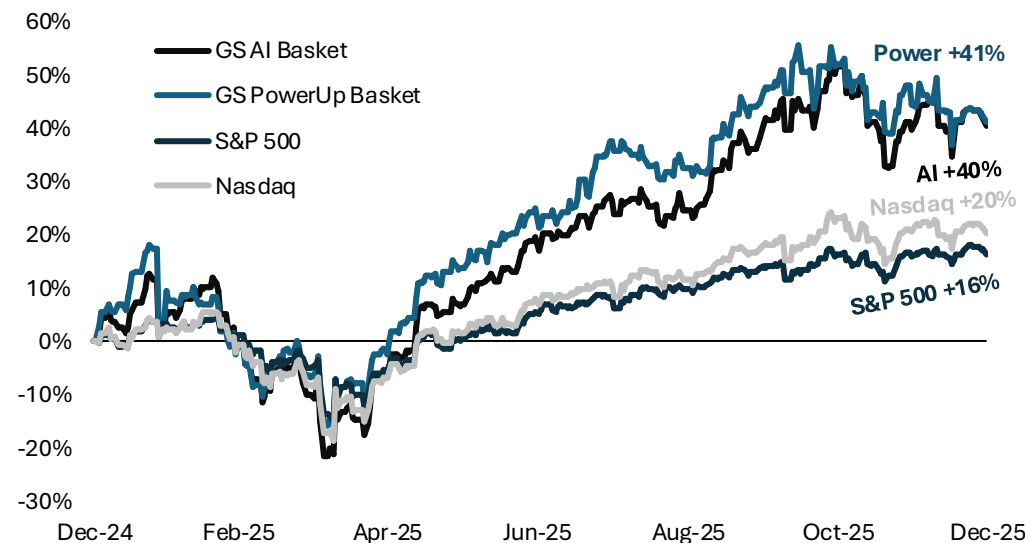
# AI Was a Dominant Theme in '25



## Effect of AI Stocks on S&P 500 Returns & Market Cap



## The AI and Power themes outperformed the broader market



Market performance was driven by performance of companies engrained in or adjacent to AI

Semis, AI, and power lead the way higher through most of last year as optimism surrounding the future of AI provided robust support to the market.

Breadth widened across the market as the AI trade was challenged in November, but generally the theme persisted the entire year.

# Hyperscalers Spent Big – and Still Delivered the Goods



## Mag 7 price and EPS growth have moved in tandem

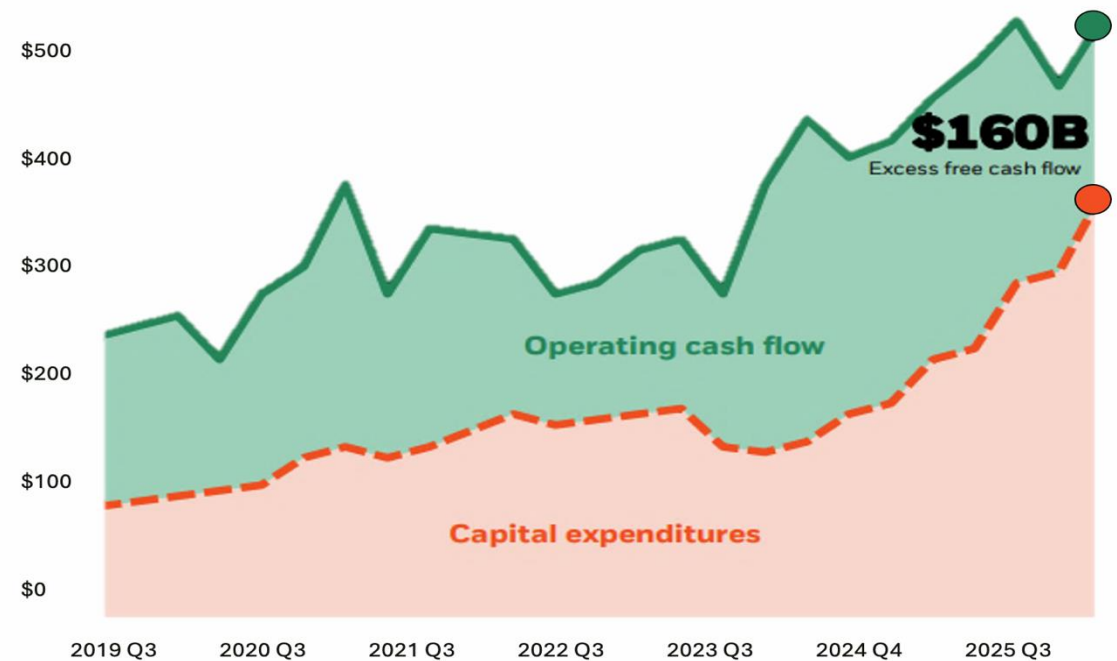


## AI growth and spending is earnings-backed so far

Unlike past tech bubbles, mega-cap leaders delivered real fundamentals, with Mag 7 earnings growing nearly 16x since 2017, supporting a 20x price appreciation.

## Hyperscaler Cash Generation vs Capex

(Google, Amazon, Meta, Microsoft, Oracle)



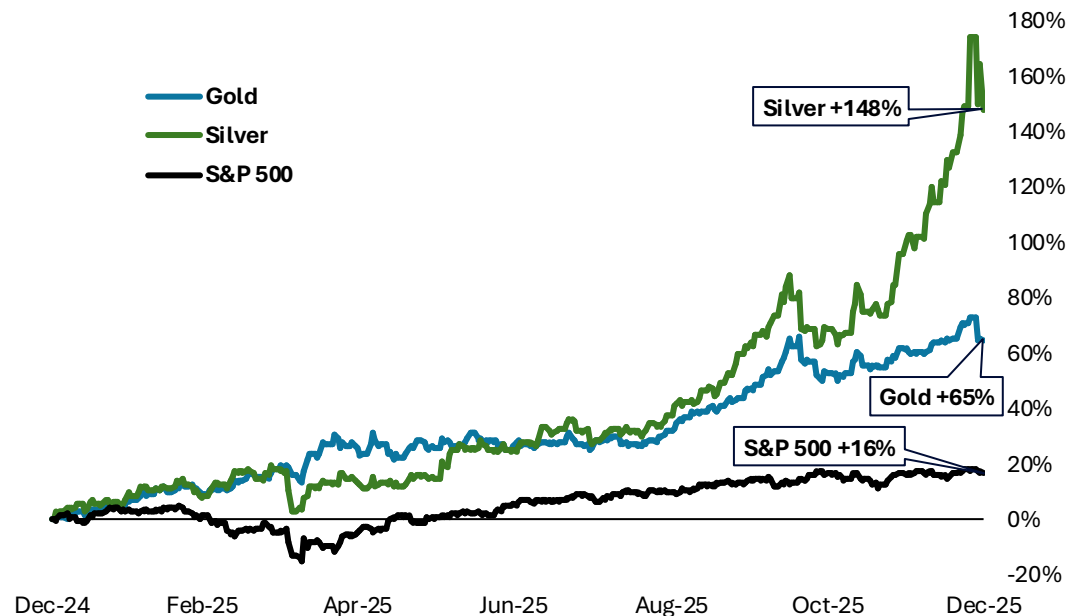
## Capex was funded by cash flow, not just debt

Hyperscalers are financing record AI investments internally, with over \$600B in operating cash flow vs. \$500B in annual AI capex, maintaining net debt-to-EBITDA near zero. By the end of the year, the hyperscalers began to access the debt markets, but cash flows still lead the spend.

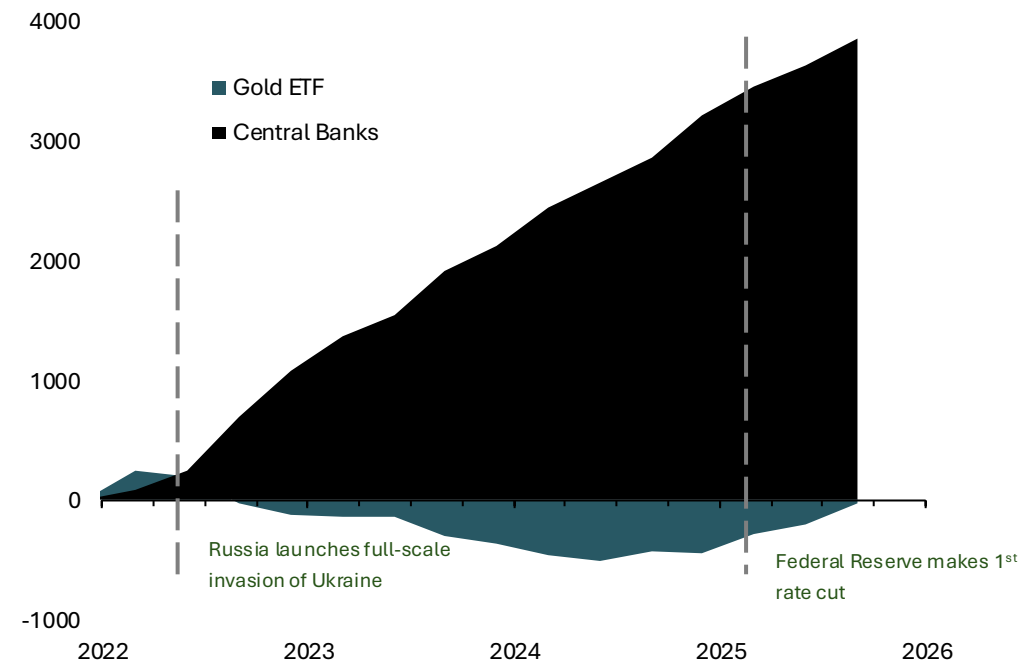
# All That Glitters: Precious Metals Rally



Gold, Silver, and S&P 500 2025 Performance  
(Normalized)



Cumulative Gold Demand Since 2022  
(Tonnes)



Precious metals caught fire from industrial demand, continued central bank purchases, and more retail participation

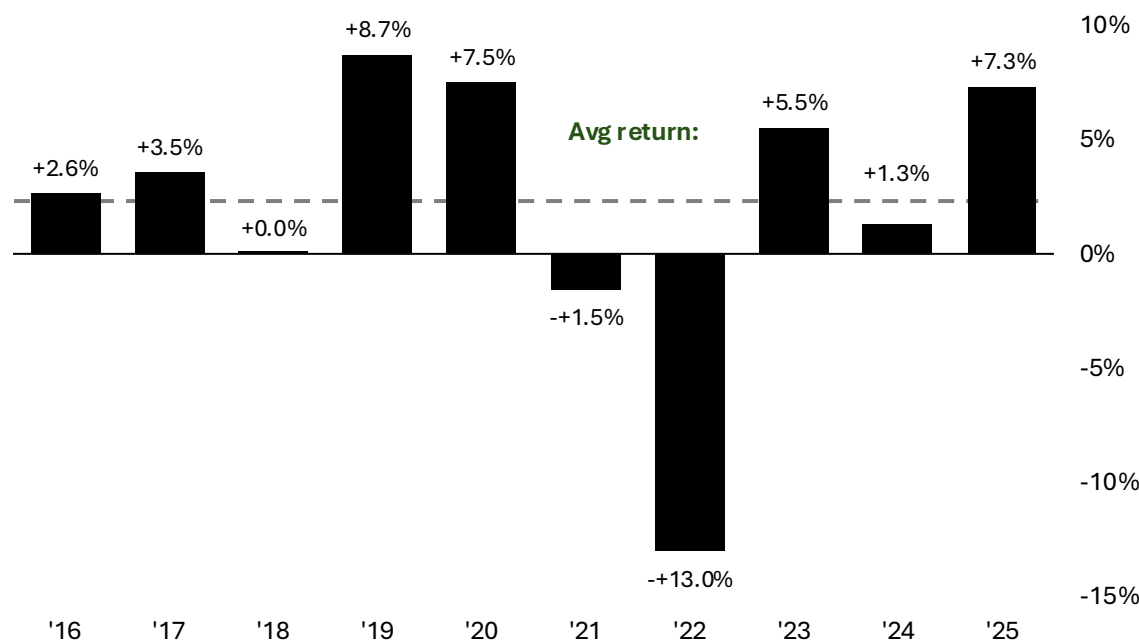
The gold rally accelerated in 2025 (+65%), dragging silver along with it, which emerged as the absolute top performer of the year (+148%). Falling US interest rates led ETF investors, who were net gold sellers in 2022-2024, to re-enter the space while Central Banks continued their gold purchasing program.

Silver benefitted from the uptrend of gold but with a lag, further supported by fears of new tariffs and energy transition/AI demand.

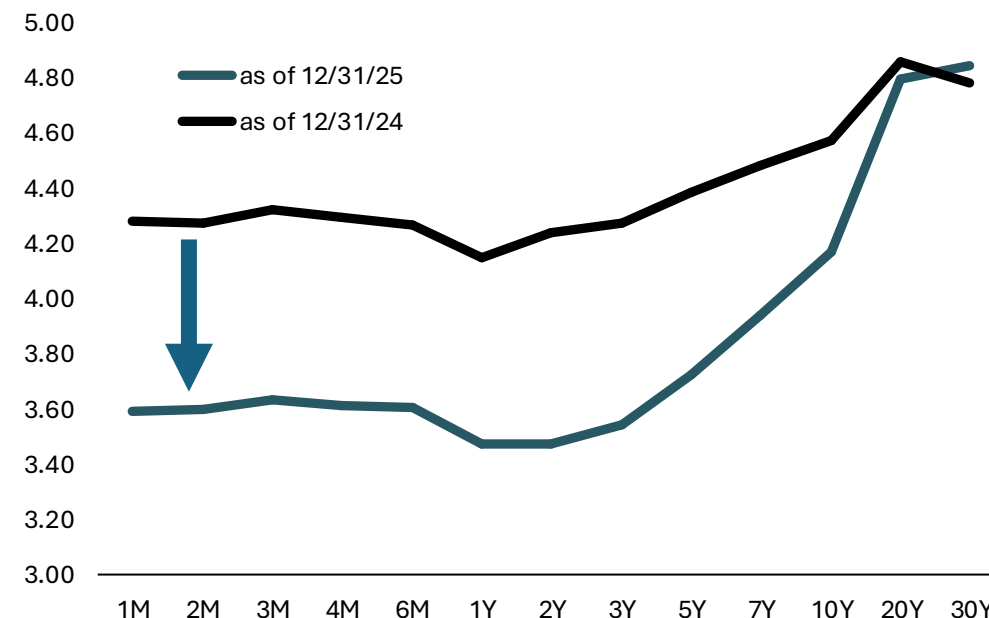
# Bonds Were Cool Again in 2025



## Annual fixed income returns 2016-2025



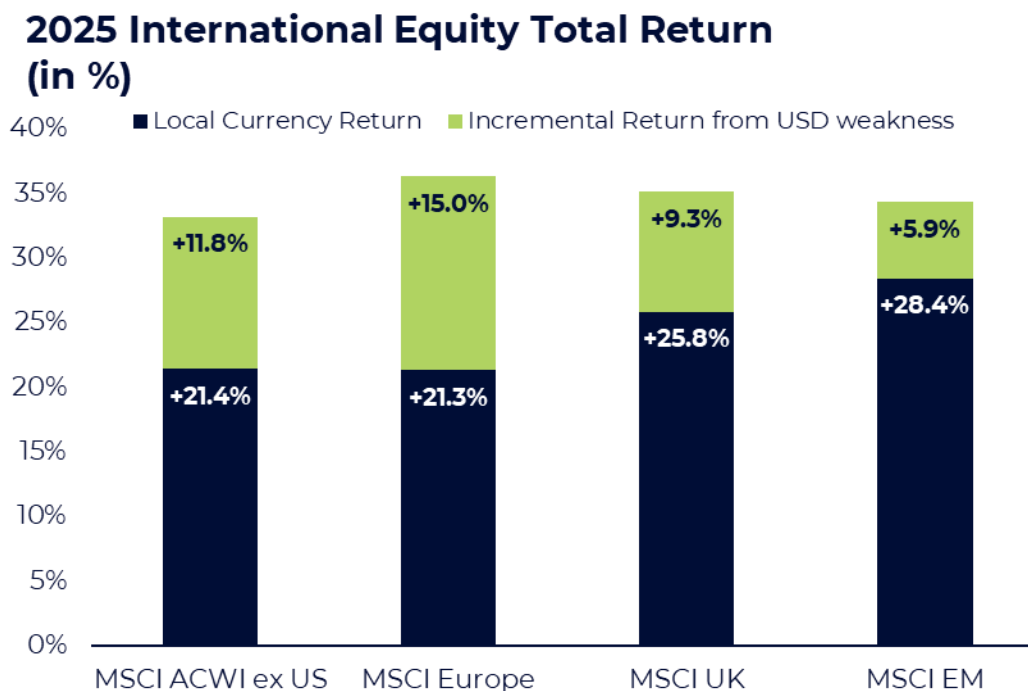
## US yield curve bull steepened



Bonds returned over 7% spurred by rate cuts and significant demand for income

US fixed income, as measured by the BBG US Aggregate Index, generated 7.3% of total returns during 2025. This was the best year since 2020 and provided a solid ballast in the portfolio. Interestingly, Investment Grade Credit (+7.8%), High Yield Credit (+8.6%), and Mortgage-Backed Securities (+8.6%) outperformed on the year, whereas Treasuries (+6.3%) and Leveraged Loans (+5.51%) underperformed.

# Dollar Weakness = International Developed Dominance



International markets had a stellar year in 2025, but a lot of the outperformance in developed markets was due to weakness in the US Dollar

The international rally was impressive, especially at the start of 2025, as dollar weakness and Trump trade war fears peaked. While it is true there was some marginal earnings growth across the globe, according to GS, most of the performance across international developed markets was driven by US dollar weakness as well as multiple expansion. When looking at the DAX (German Stock Index) as a proxy for Europe, over 80% of the performance was a result of US dollar weakness and multiple expansion, not earnings growth.

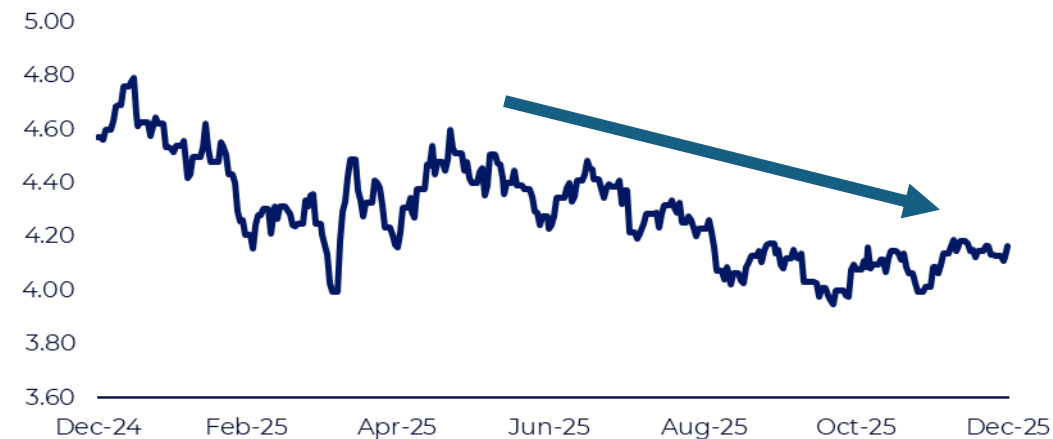
# “Four Prices” Signal Risk On – Don’t Fight Trump



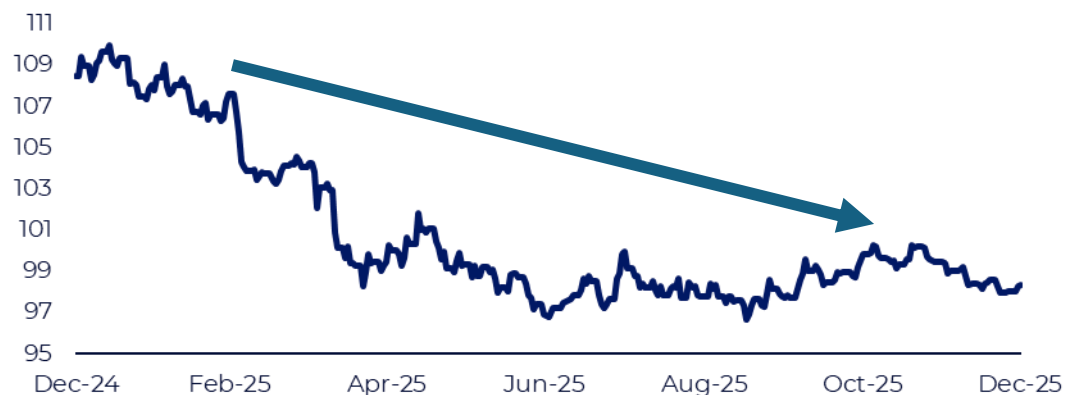
## Oil +



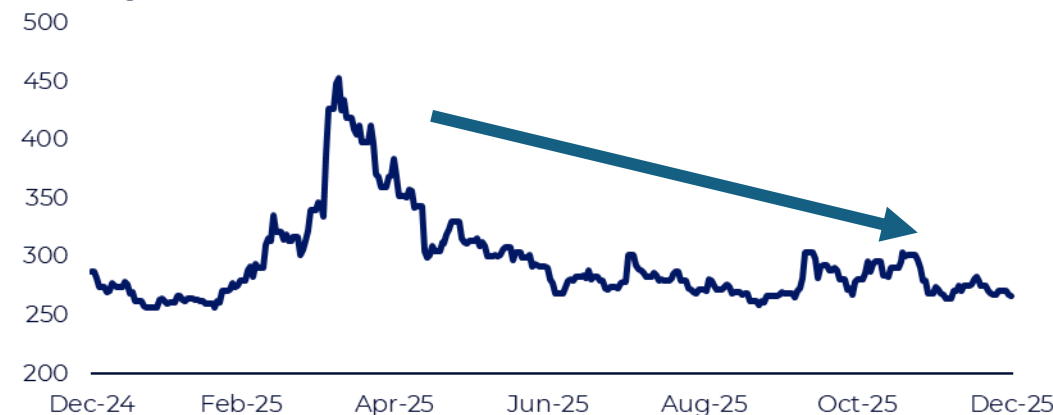
## US 10yr +



## USD +



## HY Spreads +



The Trump administration is actively pushing three of the four key prices we monitor – oil, the US dollar, and interest rates – lower, creating a constructive backdrop for risk assets. We remain responsibly bullish and are closely monitoring these indicators, as any reversal could signal a broader need to reassess our risk posture.

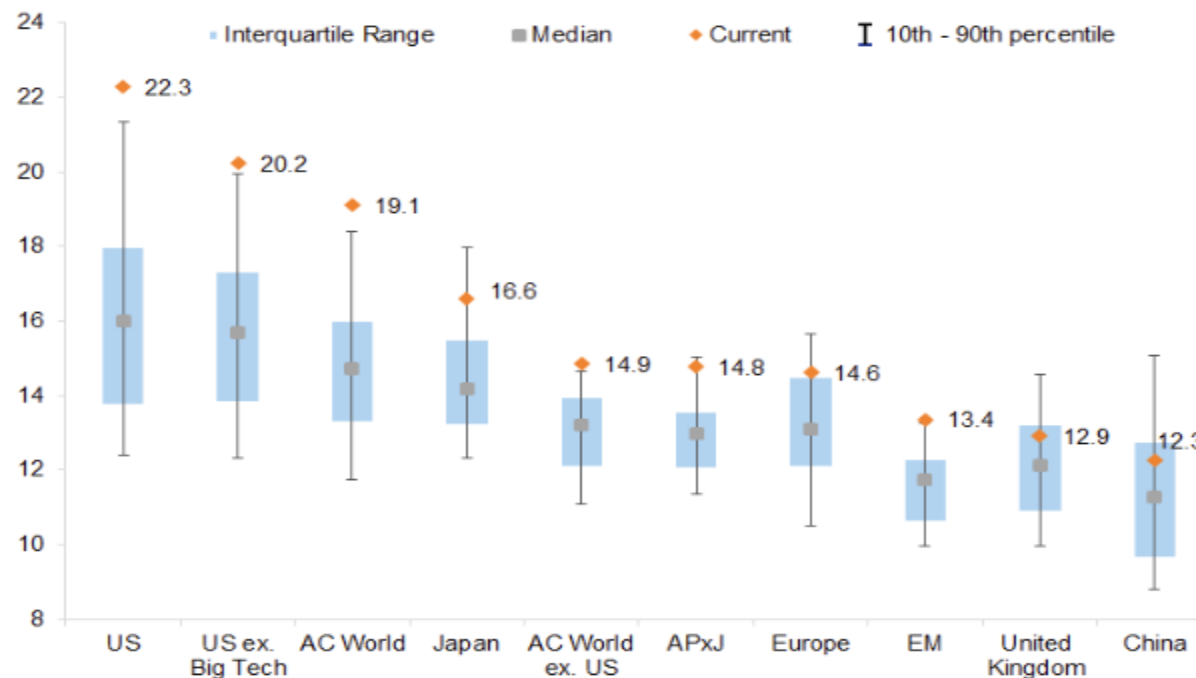


# Our View

# Rich Valuations Widen the Cone of Uncertainty



Equity P/E Multiples Across Regions



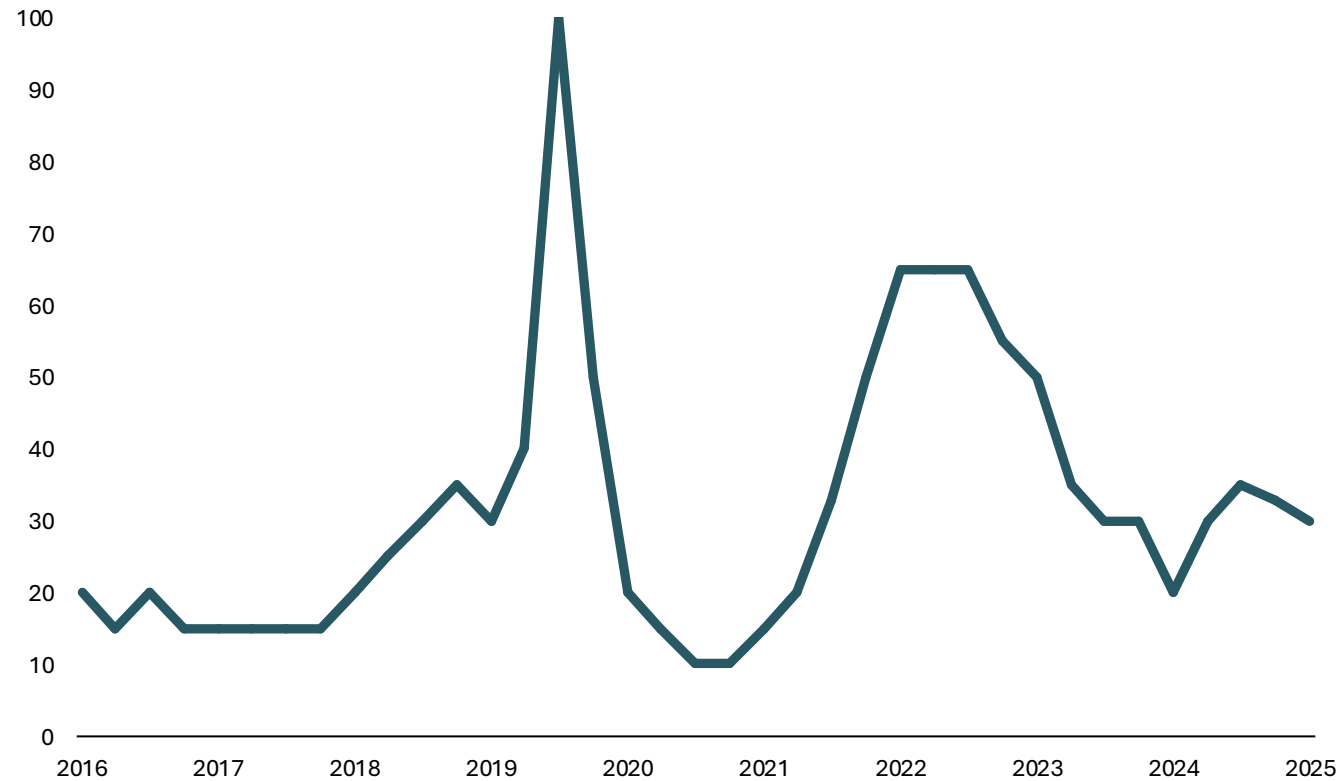
Equity valuations across regions are at historical highs, keeping us responsible in our bullishness

Overall, valuations remain stretched across equity markets. While long term forward returns typically aren't rosy when valuations are near the highs, valuations alone aren't a reason for us to dislike markets. We like the economic backdrop and earnings setup going into 2026 – but are cognizant that we are priced close to perfection and want to capitalize on themes we think will persist over time.

# US Recession Risk: Elevated but Not extreme



**US 1yr recession probability forecast (in %)**

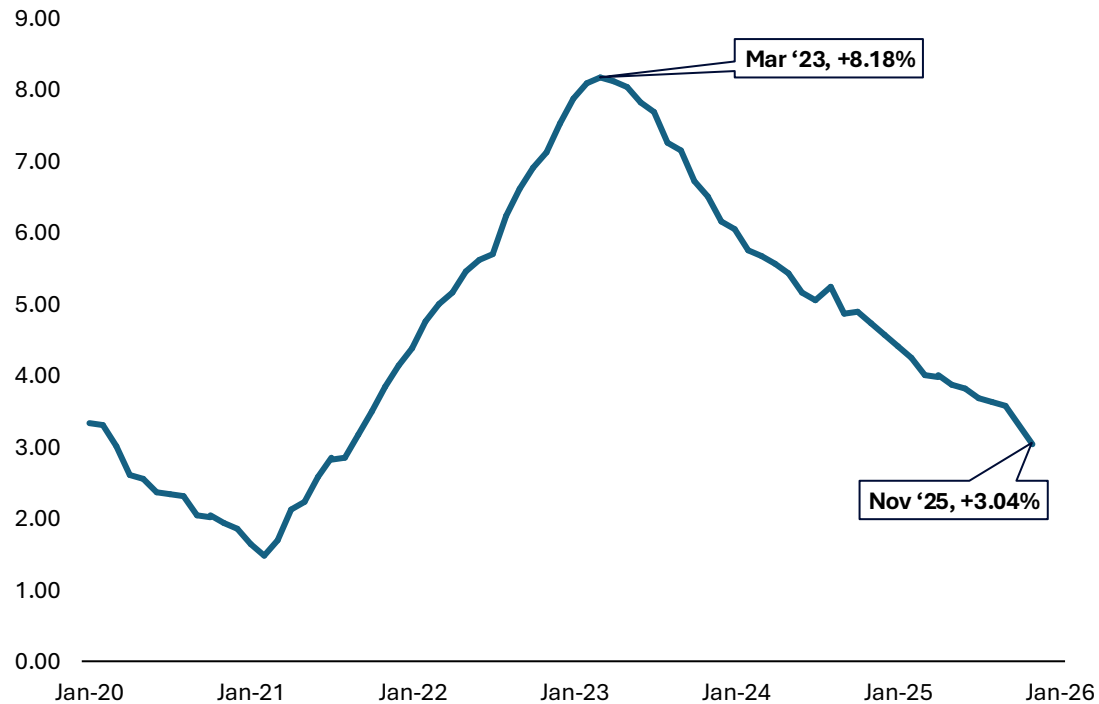


We think growth will be resilient, due to benefits from AI, fiscal stimulus from the “One Big Beautiful Bill”, and the Fed continuing its easing path

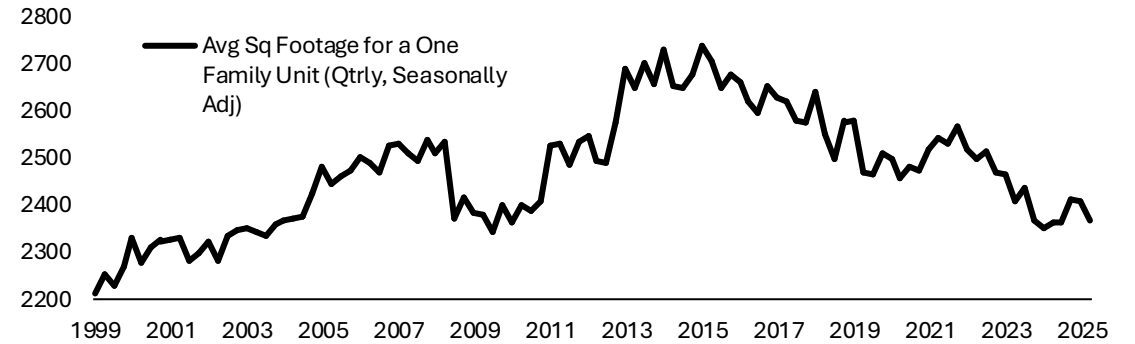
# New Focus: Labor Markets Replace Inflation Worries



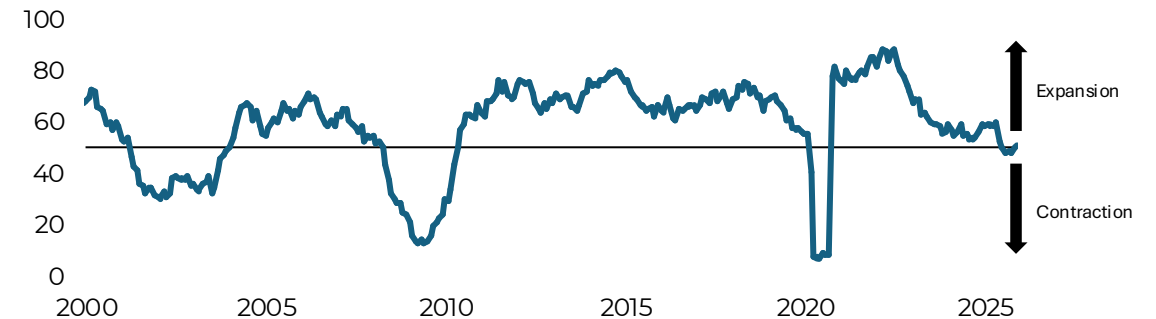
## US Shelter Inflation continues to march lower



## Home sales climb but floor plans shrink



## Diffusion Index: % of Industries Hiring (Last 6m)



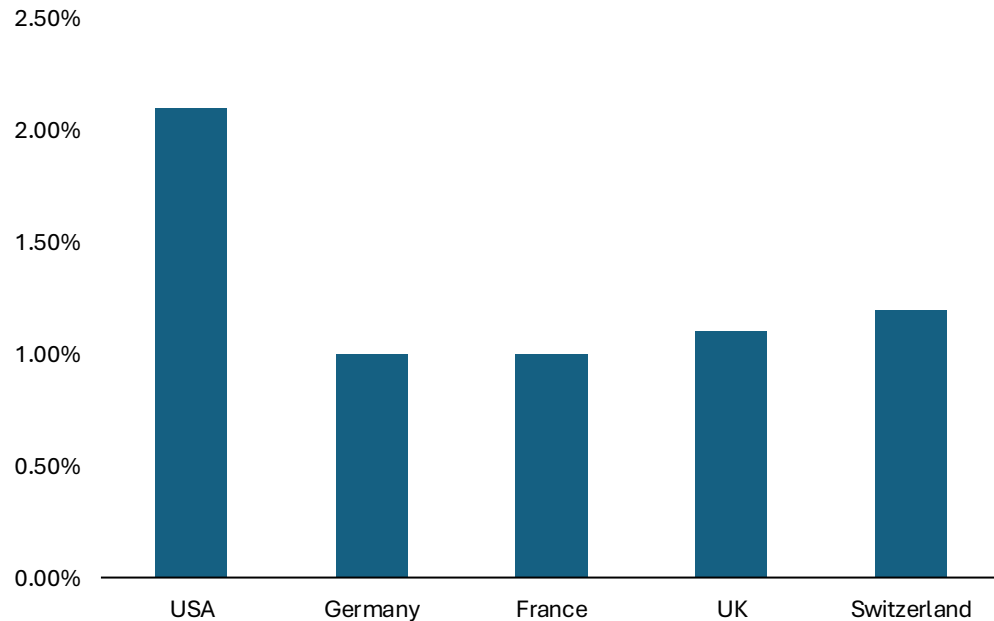
But importantly, we think growth can remain resilient even as labor softens

Real private domestic final purchases continue to point to an economy growing about 2% in real terms, boosted by robust investment in intellectual property, software, and the AI-related build-out of data centers and power infrastructure. Fiscal deficits remain large, liquidity is not scarce, and the Fed should continue moving the rate to neutral, all of which provide a meaningful cushion against a classic demand-side recession.

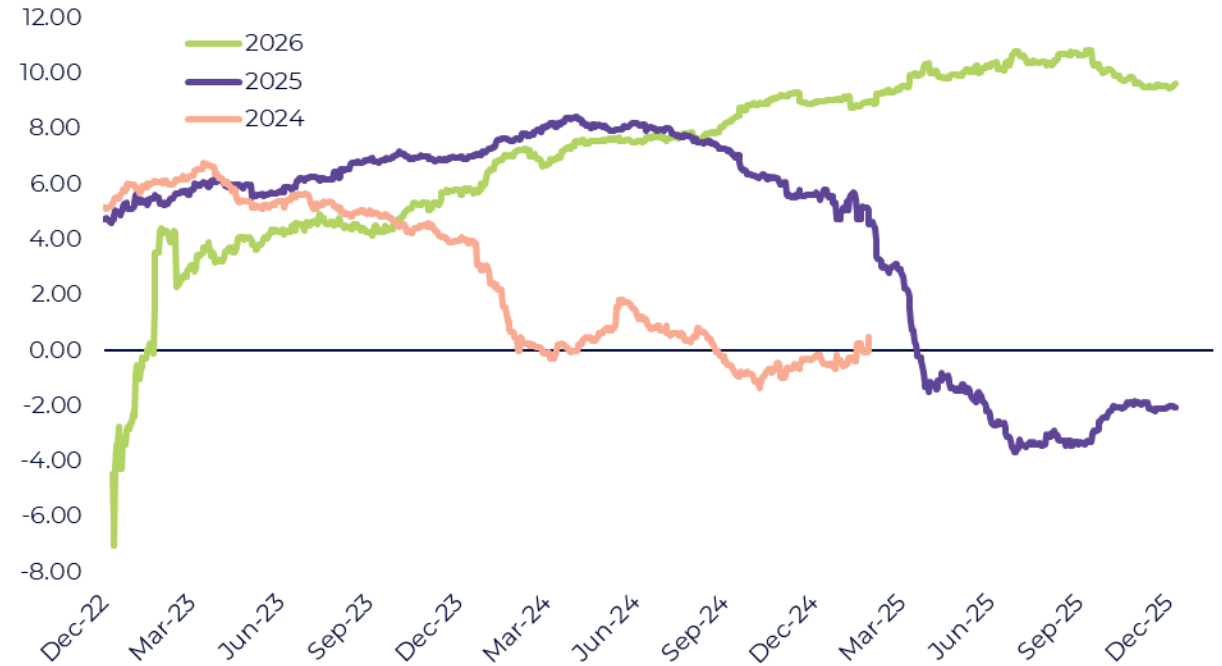
# Caution Warranted Abroad – Europe Struggles, Japan Shines



2026 Consensus GDP Estimates



Europe earnings growth estimates outsized? (in % Yoy)



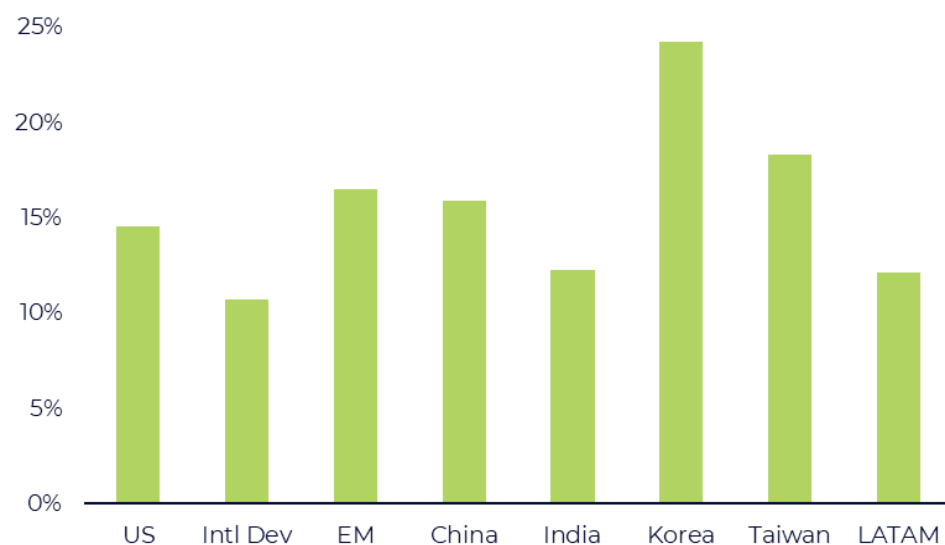
## Japan the bright spot in an otherwise challenged world

Developed markets outside the U.S. face structural challenges, particularly in Europe, where growth is expected to be weaker than the US. While Japan may be a bright spot given its reflationary rally amid policy support, Europe's weaker macro picture as well as extremely high bar for earnings growth expectations could create challenges for the broader international developed market.

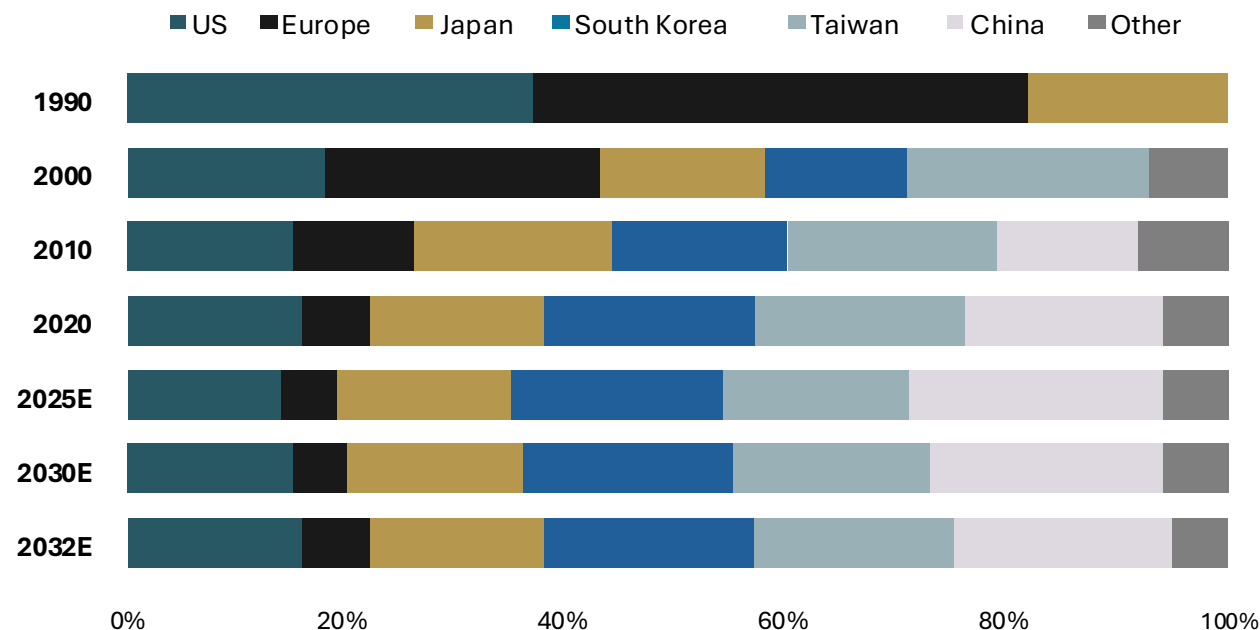
# Asia's AI Supply Chain Drives EM Earnings Surge



## 2026 Consensus Earnings Estimates



## Semiconductor production by origin



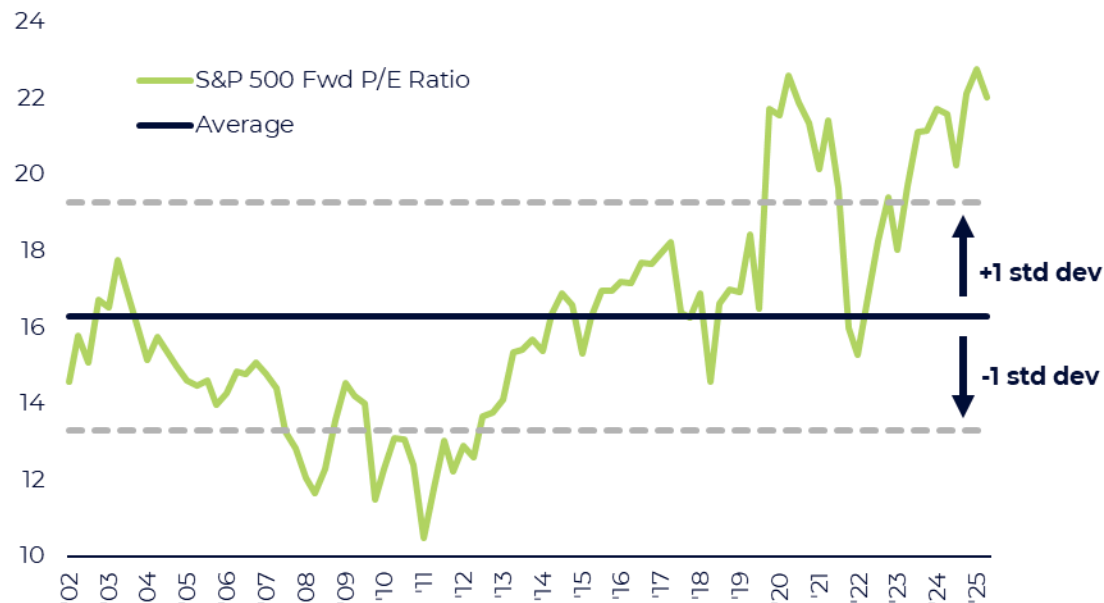
EM earnings continue to be driven by AI, as Korea, Taiwan, and China are expected to outpace earnings in the US

Nearly 60% of global semiconductor production is anchored in China, South Korea, and Taiwan – with China scaling datacenters and robotics, Taiwan leading high-end chips and packaging, and South Korea dominating memory. This AI-centric depth has supported EM earnings growth forecasts to continue to move higher.

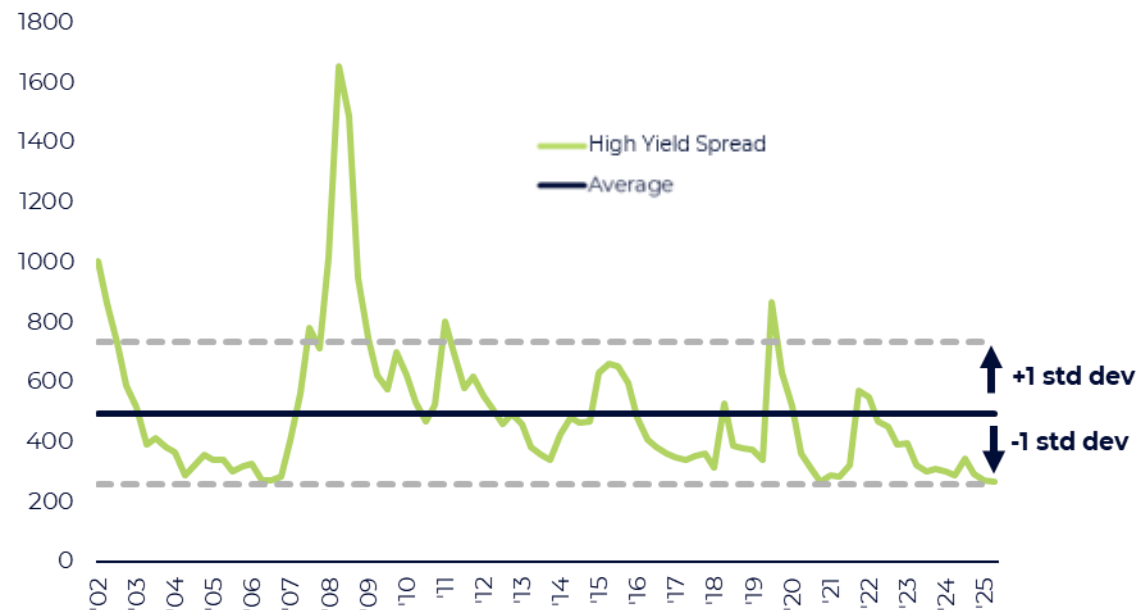
# Stocks Look Expensive – Until You Do the Math



**S&P 500 PE ratio is high but earnings are expected to grow at nearly +14%**



**HY spreads are at the tight's leaving little room for significant performance**



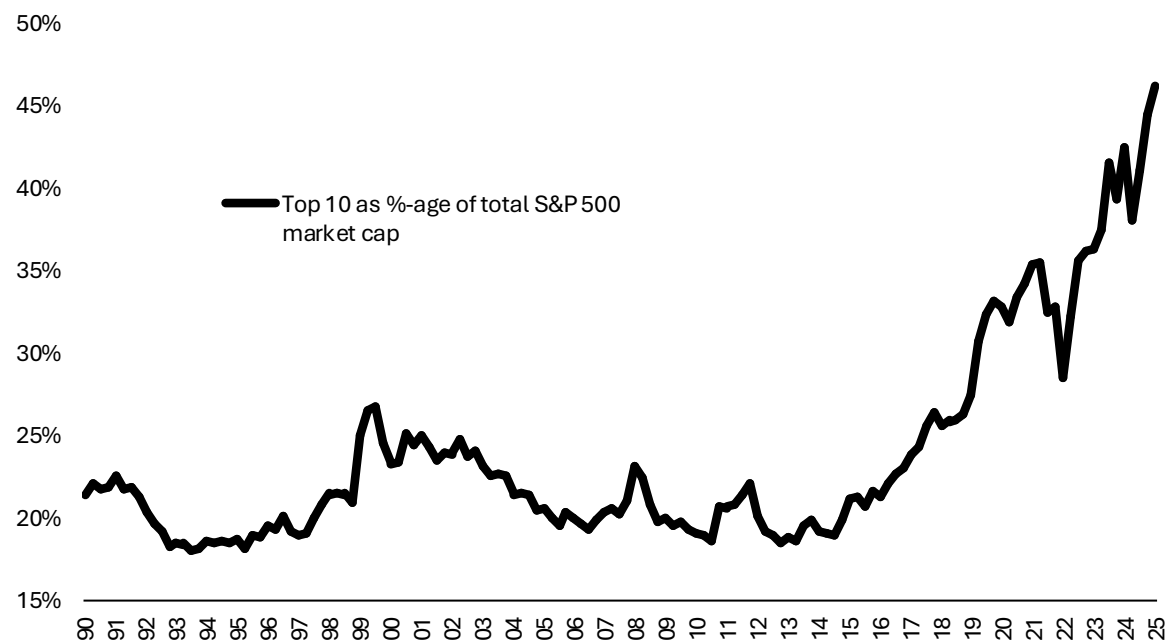
**Valuations for equities are elevated but still provide a solid entry point when considering earnings growth**

We think equities remain the preferred asset class for 2026, with Goldman projecting global equity price returns of +13% and total returns near +15%. In contrast, fixed income could offer mid-single-digit returns with modest rate cuts and curve steepening throughout the year. We think earnings growth, especially in the US which is forecasted to see nearly +14% growth will continue to drive markets higher.

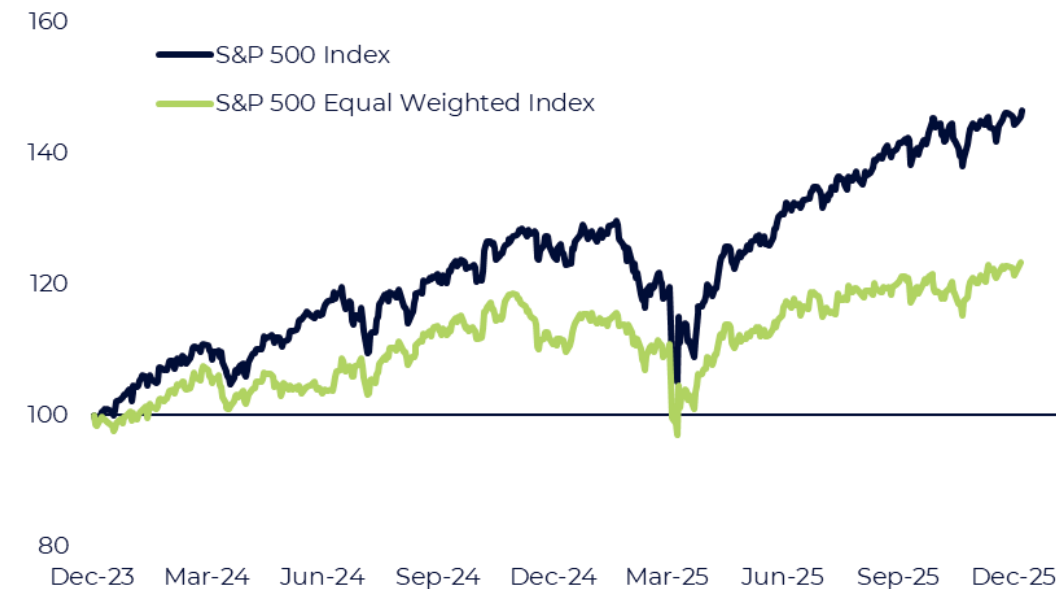
# Market Breadth Improves as AI Benefits Spread



The top 10 names account for over 46% of the total market cap of the S&P 500



## S&P 500 Index vs S&P 500 Equal Weighted Index

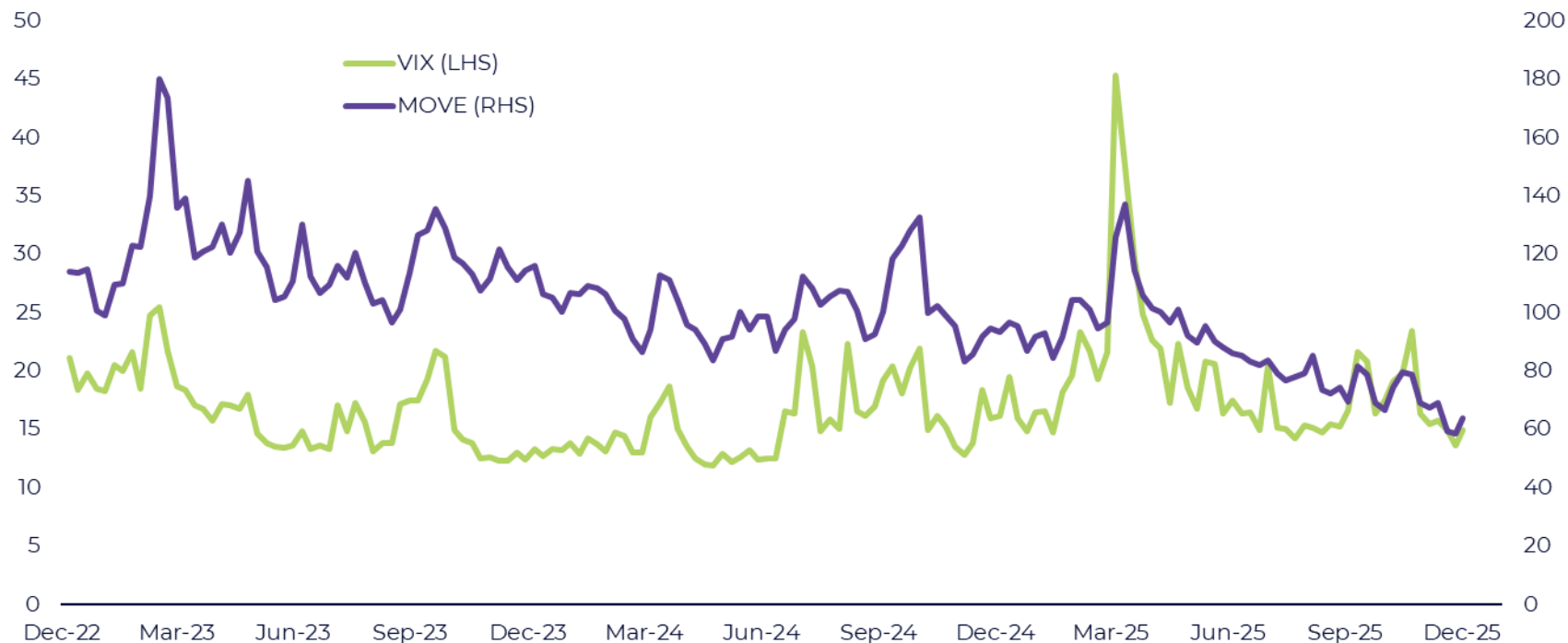


2025 was the year of the AI trade, with the Mag7 leading the way. While we think that the AI trade will continue to pay dividends into 2026, we also believe that performance will broaden out from the Mag7 to the broader 493, as more companies – particularly those that are in the supply chain to AI – generate gains. Real bottlenecks are physical ones, not software ones – power and compute. Data centers can't be built without electricity and the demand for processing power isn't slowing.

# And Volatility Should Increase



**VIX Index and MOVE Index near the local lows**

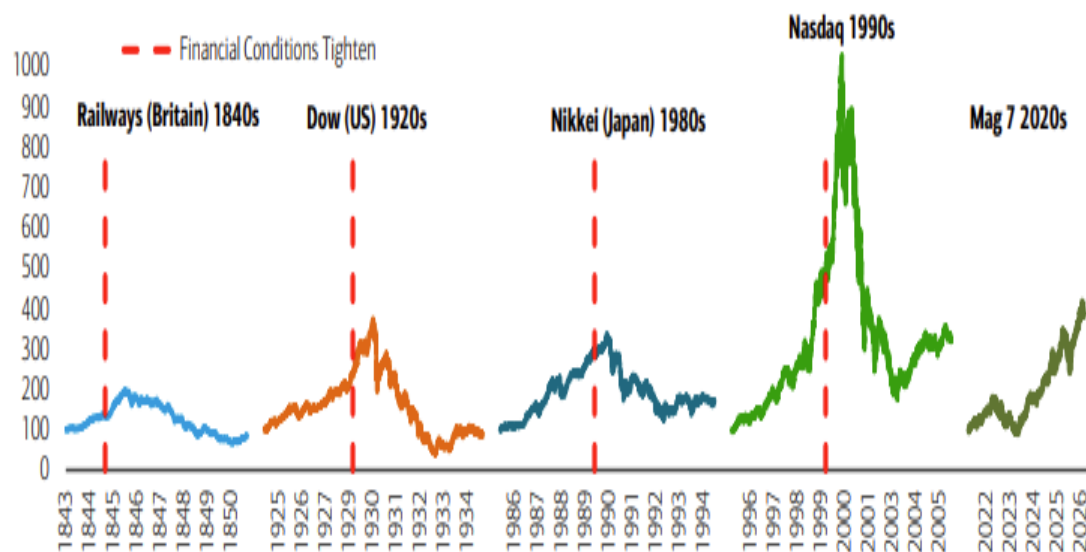


Market measures of volatility (VIX for equities and MOVE for bonds) marched lower into the end of 2025. That typically coincides with markets reaching all time highs. While we don't think a material correction is in store, we think markets are underpricing volatility given the broader crosscurrents at hand and believe 2026 will see an increase in volatility.

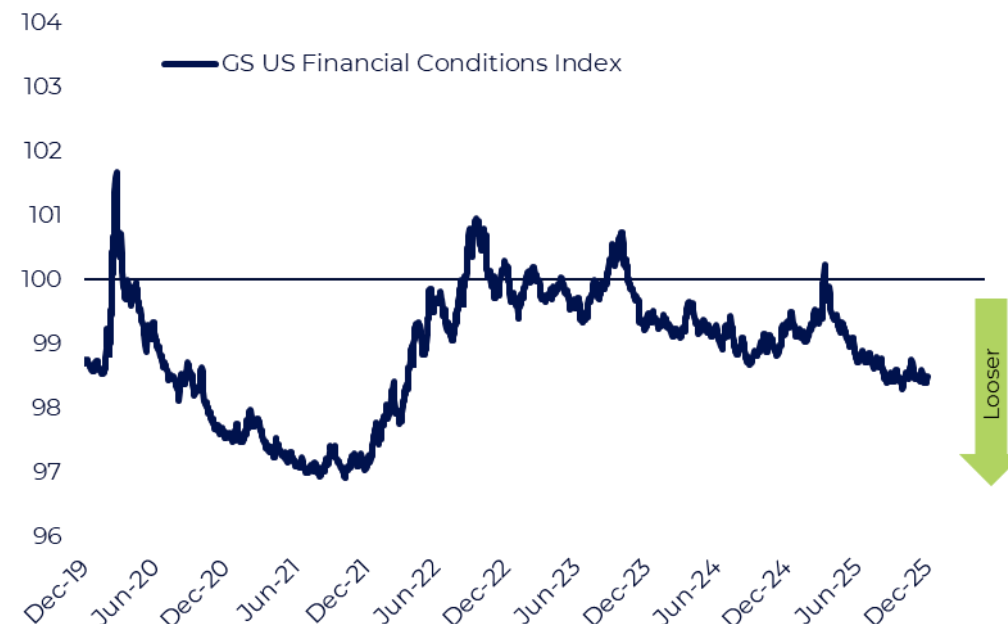
# Bubble Paranoia Requires Tightening – Check Back Later



Previous bubbles popped post tightening of financial conditions, but not before



## US Financial Conditions



Bubbles popping coincide with tightening of financial conditions, which remain loose in the US

According to a recent report by Bank of America, major asset bubbles in global equities in the last ~180 years have all seen financial conditions tighten before the end. In five historic equity bubbles, each start with key financial condition tightening events (such as the Fed rate hike in 1999 for the Dotcom bubble), as shown in the chart on the left. However, financial conditions within the US remain loose, with the Fed in a cutting cycle and the US in a broader fiscal expansion.

# AI Valuations Are Elevated but Not Extreme



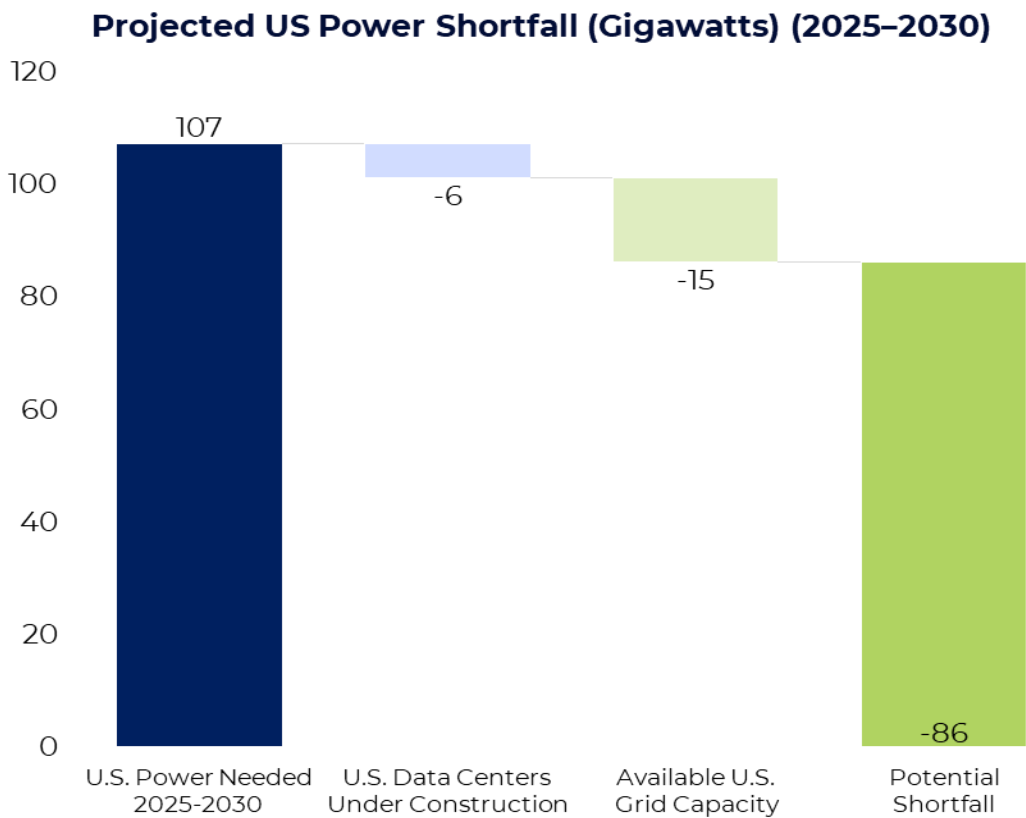
**12m Forward PE ratios since launch of ChatGPT**



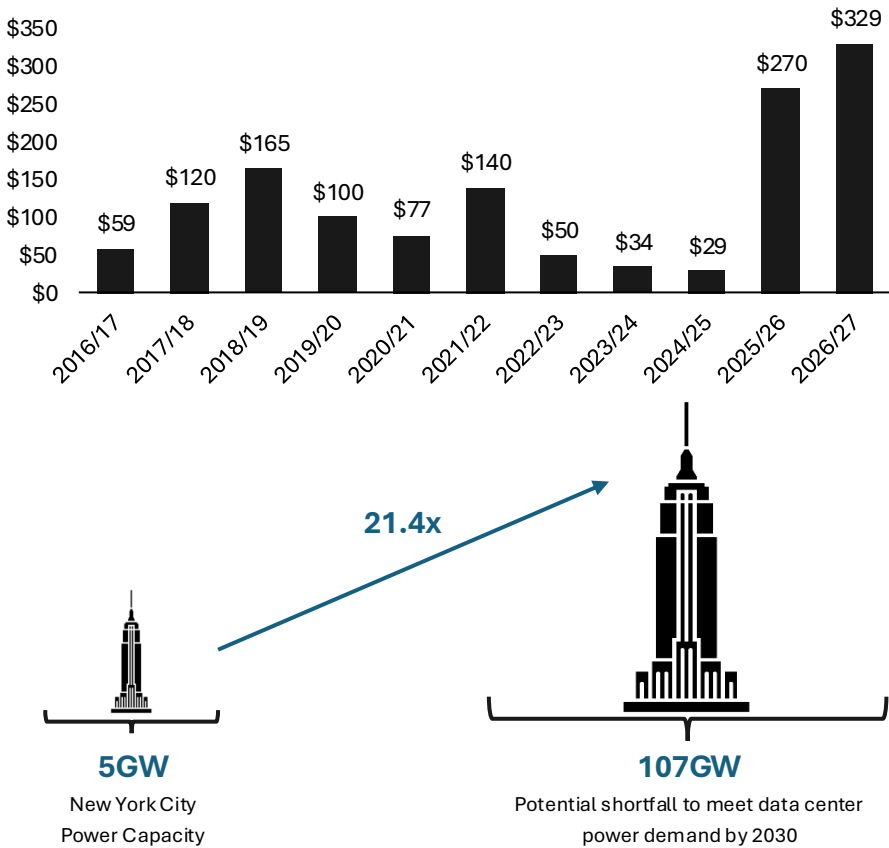
**AI valuations are certainly elevated but only slightly above the average since the launch of ChatGPT**

AI multiples are only slightly above post-ChatGPT averages. Spending is driven by profitable hyperscalers upgrading mission-critical infrastructure and defending core businesses, while private AI players are scaling fast, pressuring public software and cloud vendors to keep investing.

# America's Grid: Built for the 20th century, Needed for the 21st

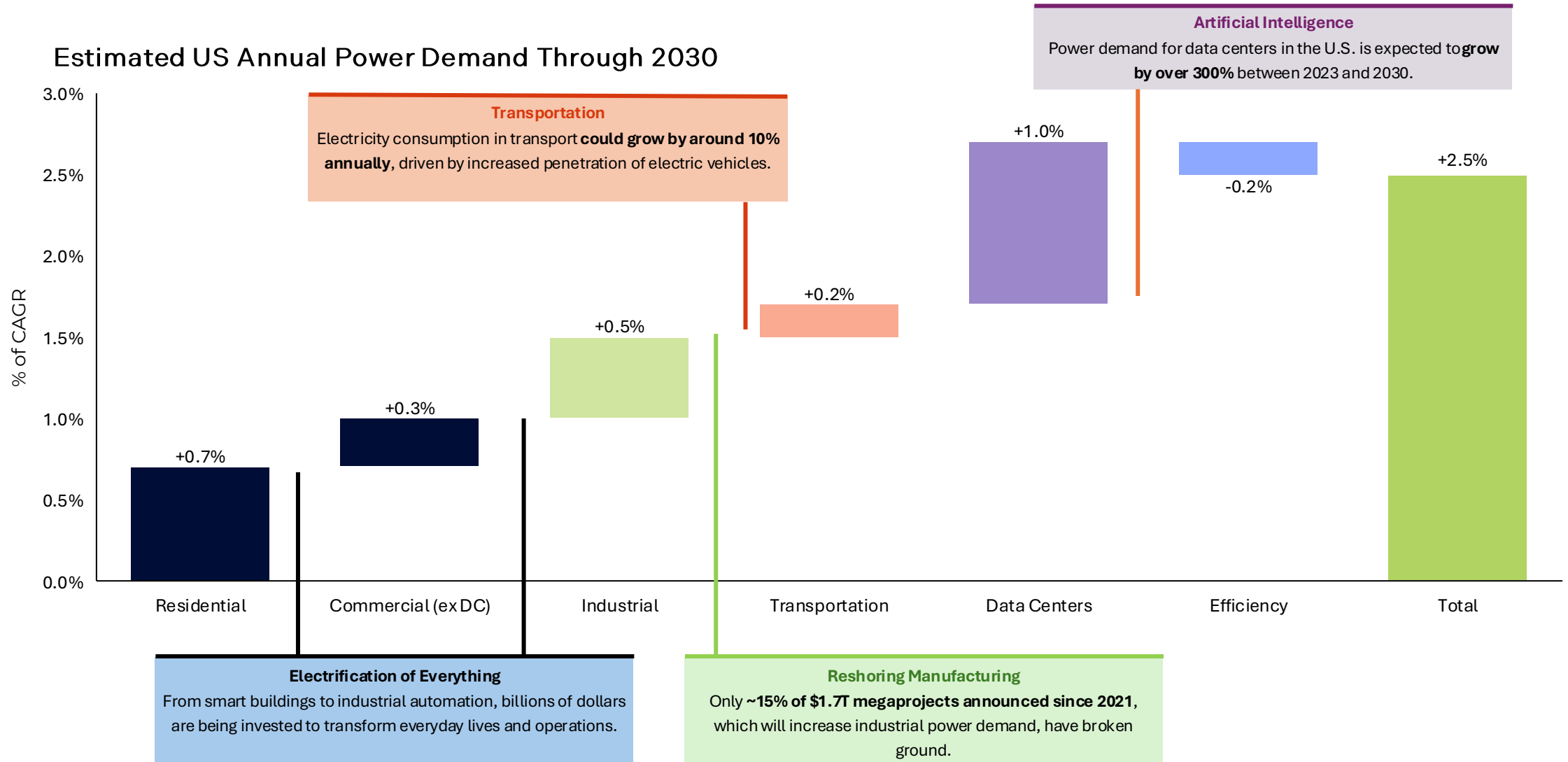


**PJM Capacity Auction Clearing Price**

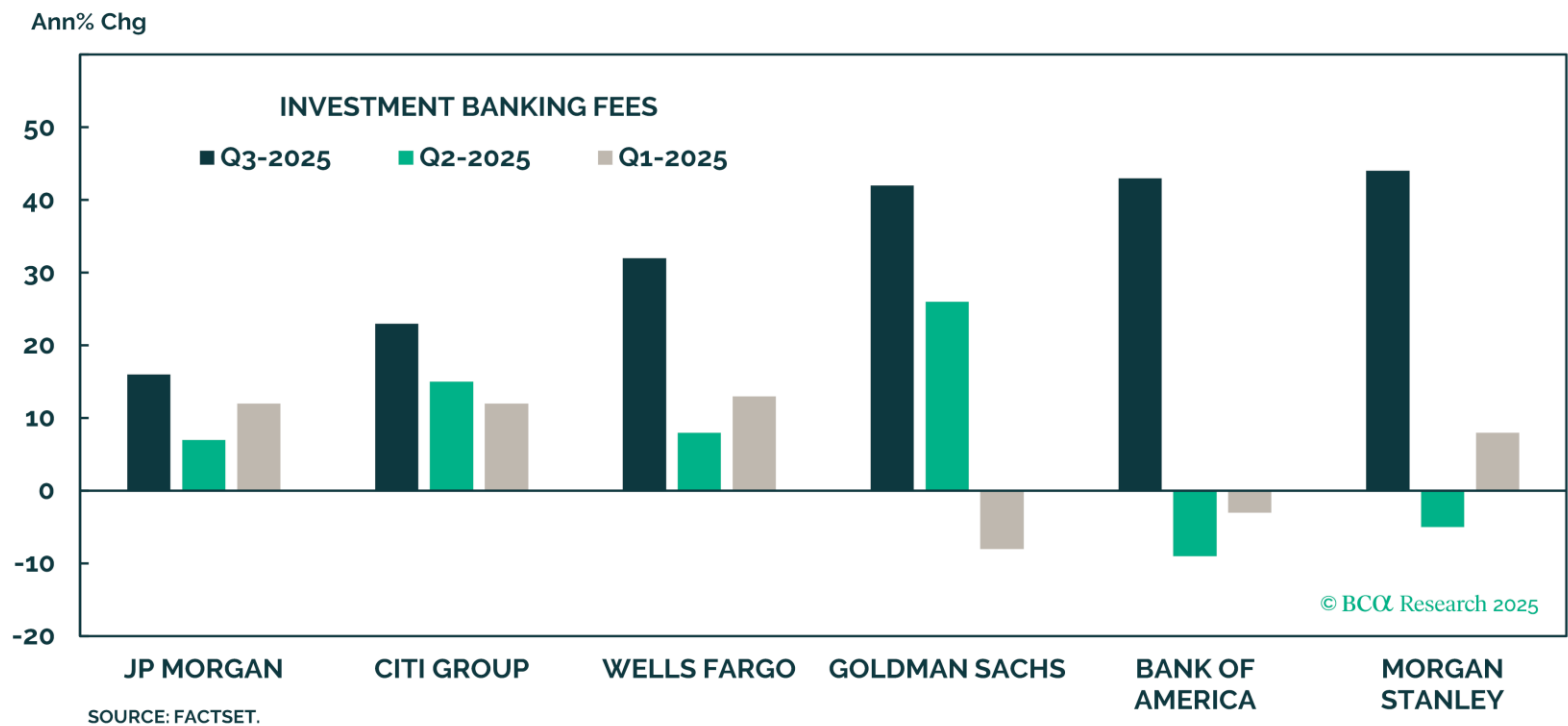


The US remains critically underdeveloped to provide for the growing power generation demands of the AI supercycle, as well as everyday consumption. We continue to see significant capital investment directed toward expanding generation capacity, including initiatives supported by the US government. We believe this theme offers considerable upside potential, and we are leveraging active managers to capture these opportunities.

# Electrification Everywhere: AI is Just One Hungry Mouth to Feed



# US Banks: Riding Capital Markets and Regulatory Tailwinds



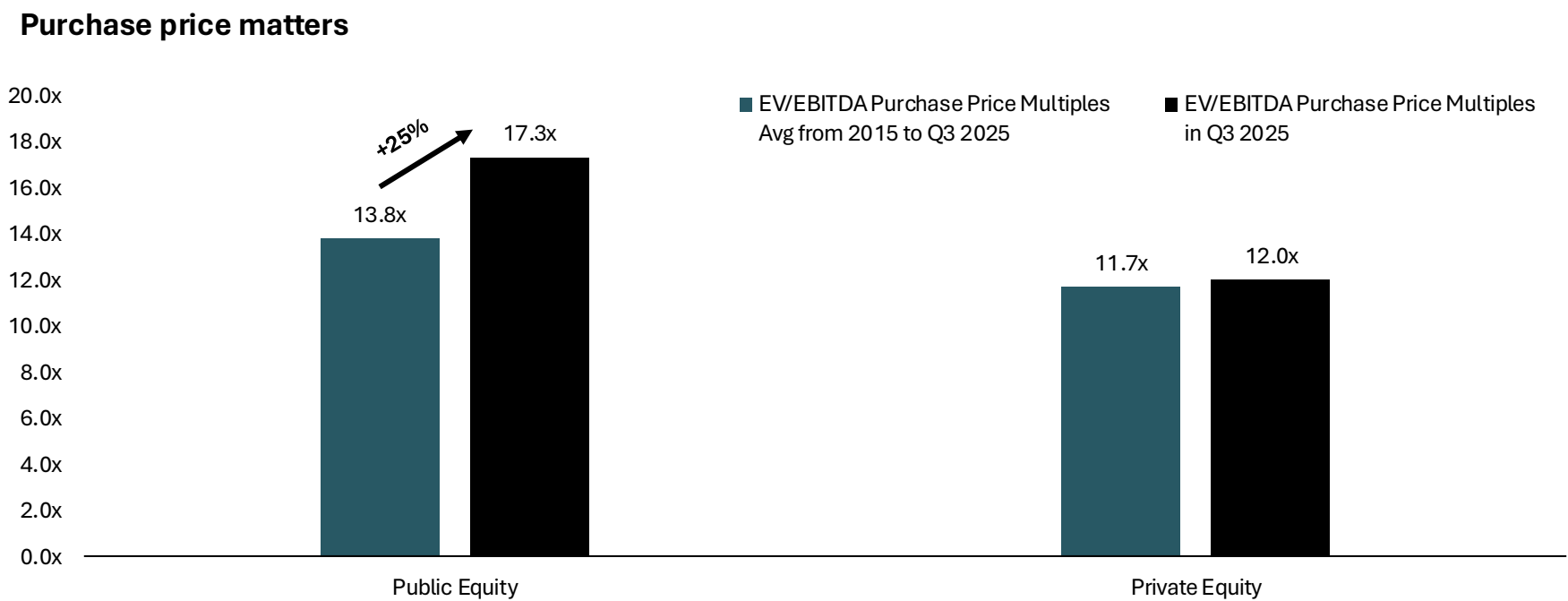
Banks delivered standout Q3 results and look strong going into Q4, especially from capital markets and deregulation

US banks led with standout Q3 earnings (average EPS +28% Yoy) and guided for continued momentum, supported by strong capital markets and record investment banking pipelines. Banks have the clearest exposure to capital market recovery and policy tailwinds, price multiples remain reasonable, and much of the expected deregulation is still ahead.



# Private Markets

# Public Equity FOMO vs Private Equity Discipline

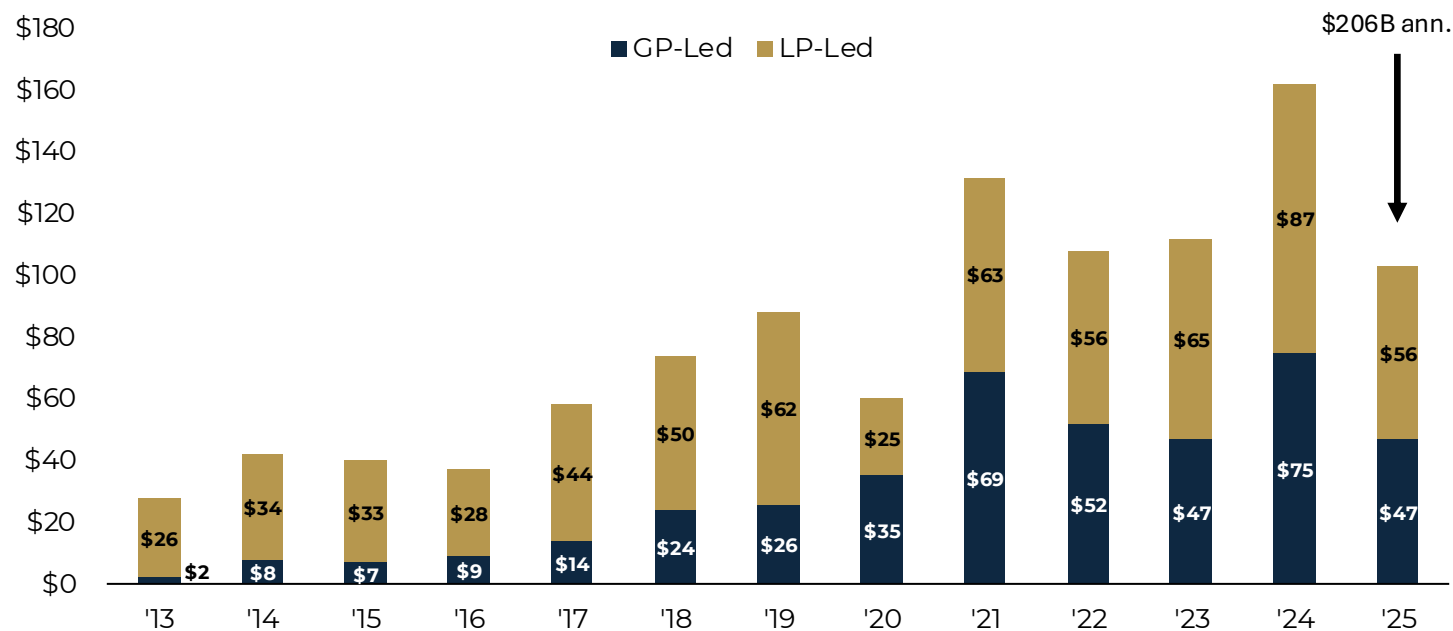


Public equity multiples have risen meaningfully over the past decade, while private equity multiples have remained relatively flat, which highlights one of the ways private markets can complement public market exposure. A key element of private equity’s value proposition is its patient capital, allowing managers to deploy funds in a measured and deliberate manner. Because some strategies and managers are more disciplined on price than others, it is important to focus on those that maintain strict attention to entry valuations.

# Secondaries: Liquidity When the Front Door Is Locked



Secondary Deal Flow Since 2013



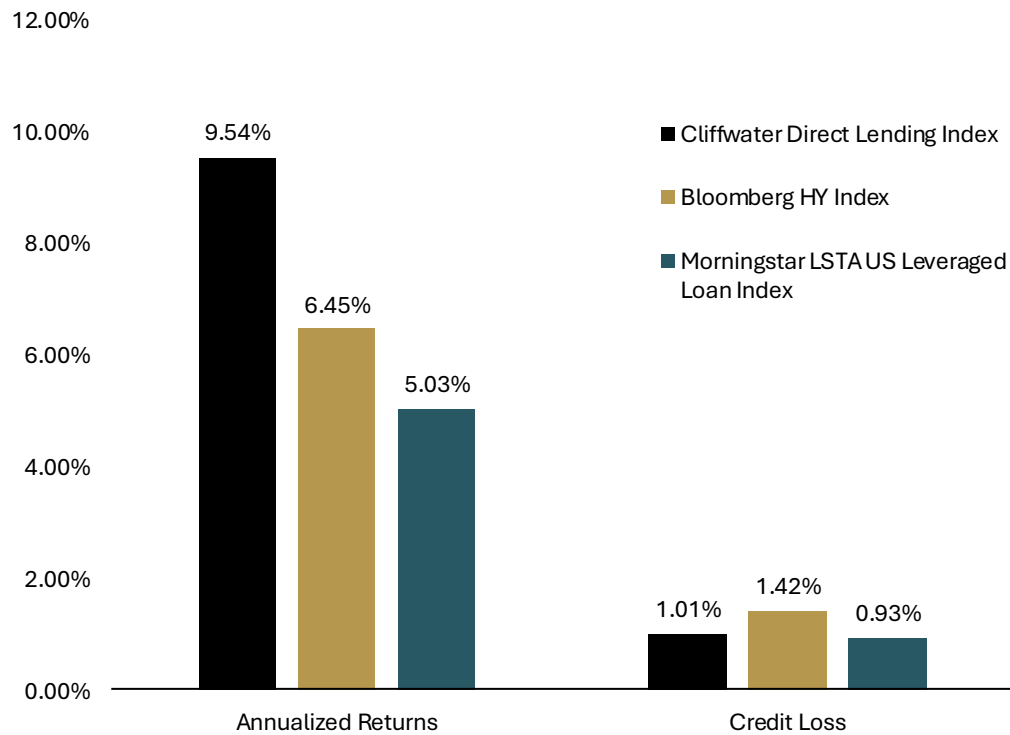
The secondaries market grew at an annualized rate of approximately 30% between 2020 and 2024 and is projected to expand another 27% in 2025. A backlog of private companies is expected to take several years to clear, creating additional opportunities for secondaries across both LP-led and GP-led transactions. Moreover, the secondaries opportunity set tends to increase during periods of market dislocation, making it somewhat countercyclical. Strategies with the flexibility to provide capital solutions in both GP-led and LP-led markets are preferred.

# Not All Direct Lending Is Created Equal (and 2026 May Prove It)



*“Never forget about the 6-foot-tall man that drowned in the river that was 5 feet high, on average”*

**Returns vs. Loss Rates (2005-2024)**



Direct lending has historically delivered significantly higher returns than high-yield bonds and leveraged loans, while maintaining similar or even lower loss rates. These figures represent averages, and there are additional levers within direct lending that can influence outcomes, creating potential winners and losers during periods of market stress.

For example, leverage levels vary widely, from around 25% for certain interval funds to more than 100% for publicly traded BDCs, and PIK interest is notably elevated in some strategies.

We anticipate meaningful dispersion across strategies in a stressed environment and would favor those with strong workout capabilities, disciplined underwriting, prudent use of leverage in the face of uncertainty, and the flexibility to toggle between sponsor-backed and non-sponsor deals.

# What's Next?



# Important Disclaimers & Disclosures



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