



## 2026 Market Outlook with Robert Paolucci, CFP® & Julina Ogilvie, CIMA®, CPWA®, CEPA®

January 2026



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# Today's Agenda

1. 2025 In Review
2. The Capital Markets Set-Up For 2026
3. Key Drivers For The Year Ahead
  - I. OBBBA – Driving The Economy Higher
  - II. AI & Power – Fueling Each Other's Growth
  - III. The New Fed – Succession Plan
  - IV. Government Influence
4. The End!

# Looking Back At Our 2025 Outlook

## What We Were Saying

1. The Boss – The 10-Year U.S. Treasury
2. Policy – Monetary, Fiscal, Trade
3. Regulation
4. Employment – The Other Fed Mandate
5. Earnings & Buybacks

## What Happened...

→ The 10-Year started at 4.58% and ended at 4.18%, a decline of 8.8%, allowing stocks to go higher!



→ Tariffs arrived in April with major modifications in the 2<sup>nd</sup> half. Fed cut rates 3 times.

→ Congress passed OBBBA – major tax legislation!



→ IPOs and M&A activity were up in the 2<sup>nd</sup> half of 2025, with momentum growing in 2026!



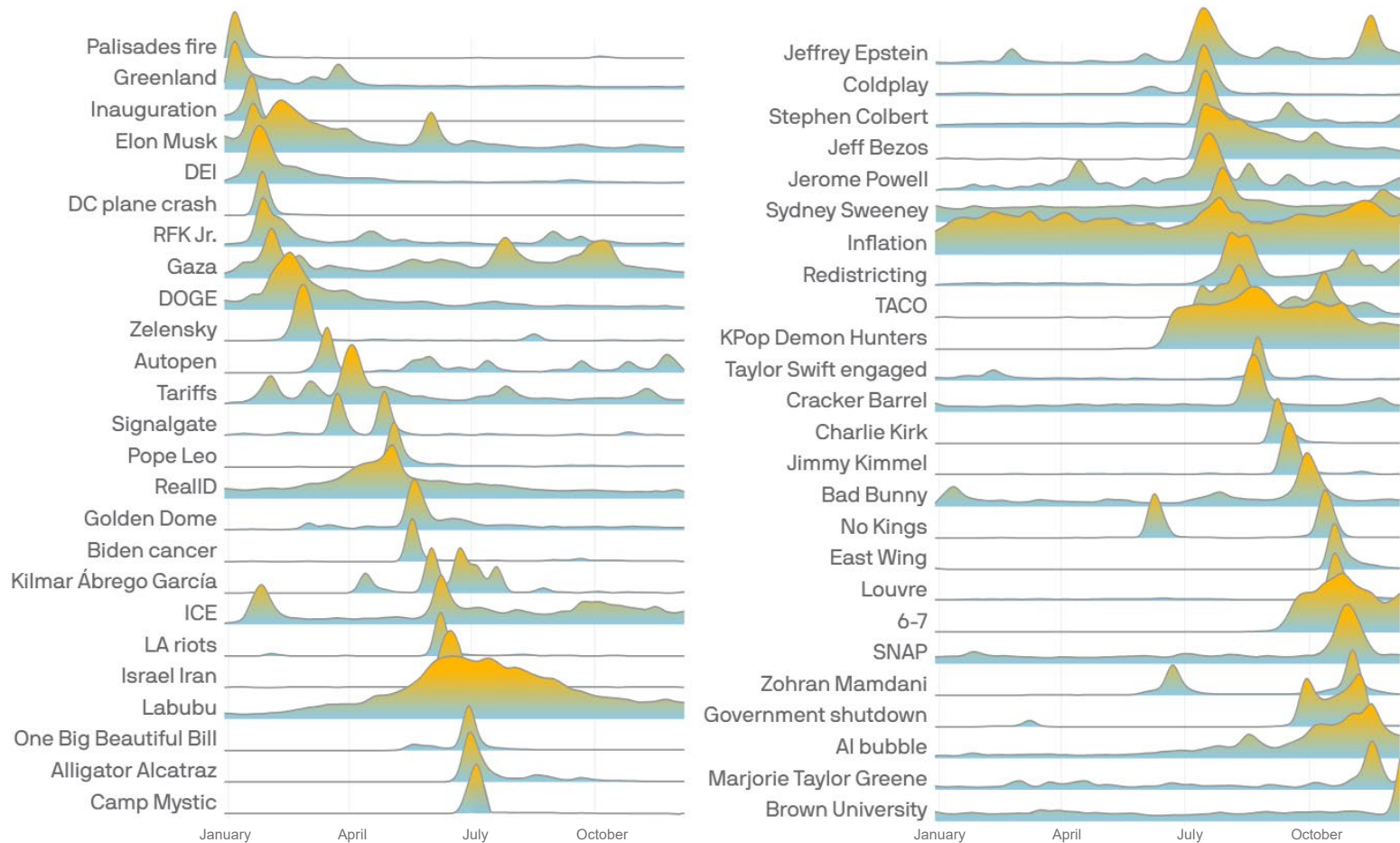
→ Fed focus shifted from inflation to employment as unemployment rose from 4.10% to 4.60%.



→ Continued source of strength for stocks, with both reaching new all-time highs in 2025!



## 2025 In Headlines – The Top Searches Of 2025

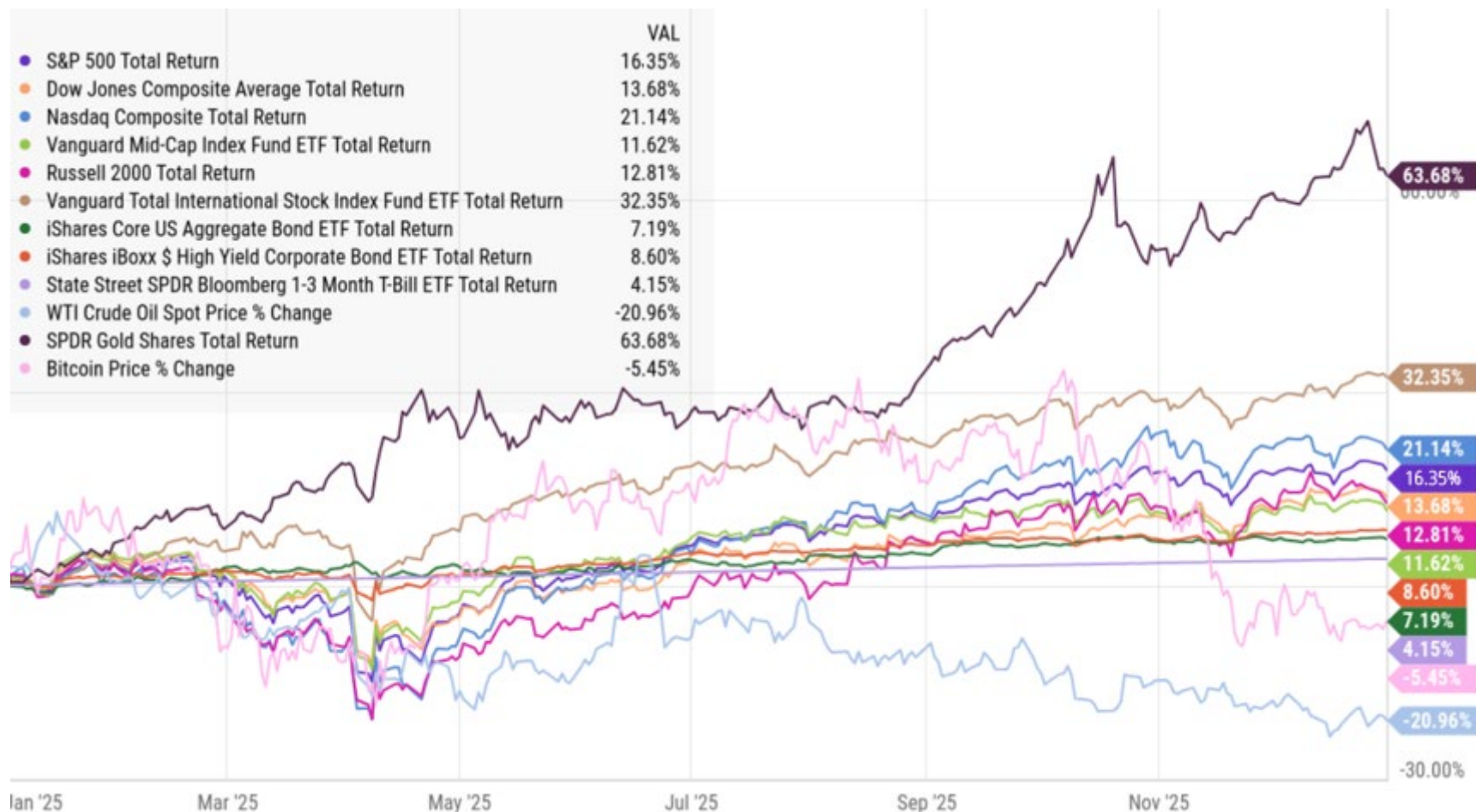


Sources: Google, Axios, as of 12/31/2025

100  
0 Height is search interest in a given topic, indexed to 100



## 2025 Asset Class Review

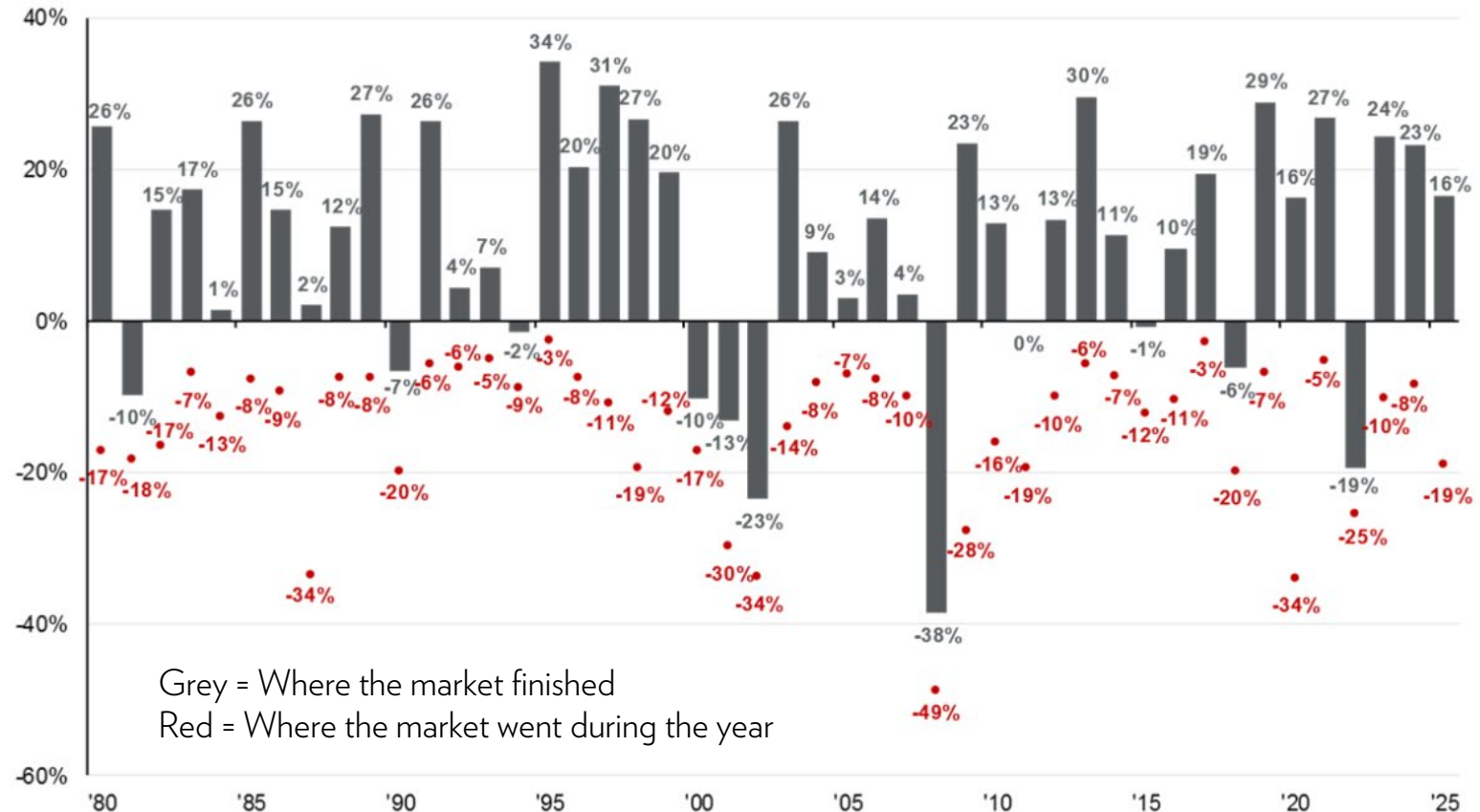


Source: YCharts, as of 12/31/2025

# Another Strong Year For Stocks

## S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.2%, annual returns were positive in 35 of 46 years



Sources: J.P. Morgan Asset Management, Guide To The Markets, FactSet, Bloomberg, as of 12/31/2025

## Top Performers Of The S&P 500

Mag 7 -  
0/7!



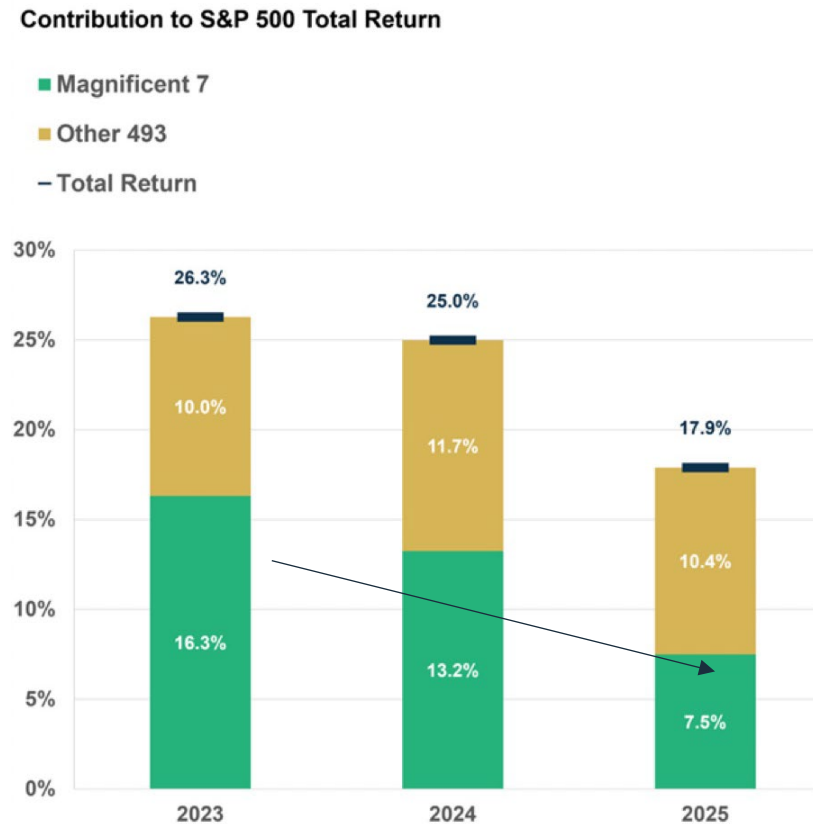
Rank	Ticker	Company	2025 Return
1	SNDK	Sandisk	+559%
2	WDC	Western Digital	+283%
3	STX	Seagate	+226%
4	HOOD	Robinhood	+225%
5	MU	Micron	+222%
6	PLTR	Palantir	+145%
7	APP	AppLovin	+104%
8	CVS	CVS Health	+89%
9	GE	GE Aerospace	+86%
10	INTC	Intel	+81%

Source: S&P Global, as of 12/31/2025

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## Magnificent Seven vs. S&P 493

Magnificent 7=  
AAPL, AMZN,  
GOOGL, META,  
MSFT, NVDA, TSLA



Smaller  
contribution year-  
over-year

Sources: Carson Investment Research, FactSet, as of 12/31/2025

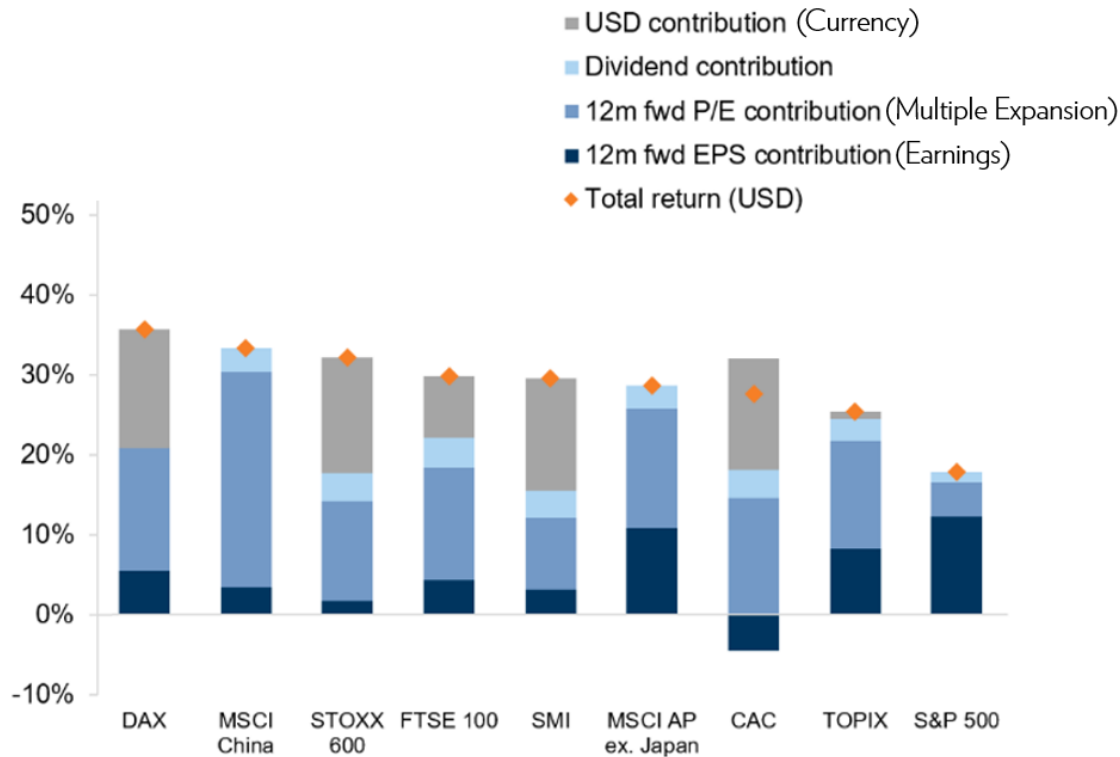


## Volatility Declined In 2025



Source: VIX, KoyFin, as of 12/31/2025

## International Stocks Assisted By Currency, Not Earnings...



Source: Goldman Sachs Asset Management, as of 12/11/2025

# A Good Year For Bonds

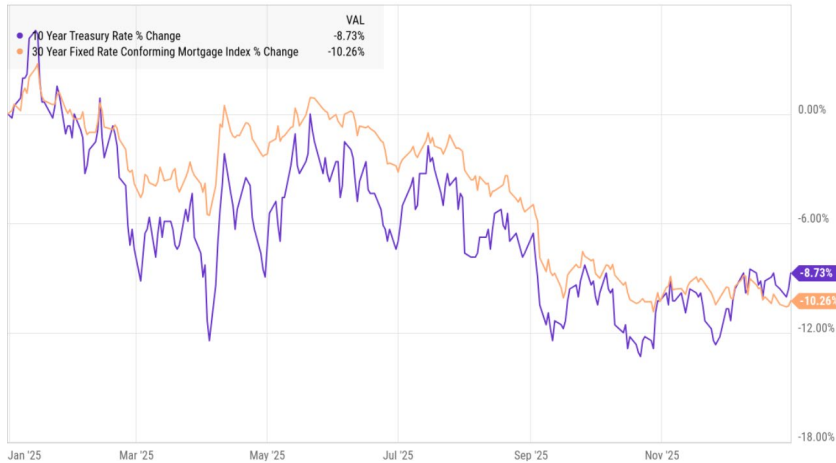
## Bloomberg U.S. Aggregate intra-year declines vs. calendar year returns

Despite average intra-year drops of 3.5%, annual returns were positive in 45 of 50 years



Sources: J.P. Morgan Asset Management, Guide To The Markets, FactSet, Bloomberg, as of 12/31/2025

## Key Lending Rates – Lower And More To Come



### 30-Year Fixed Rate Mortgage

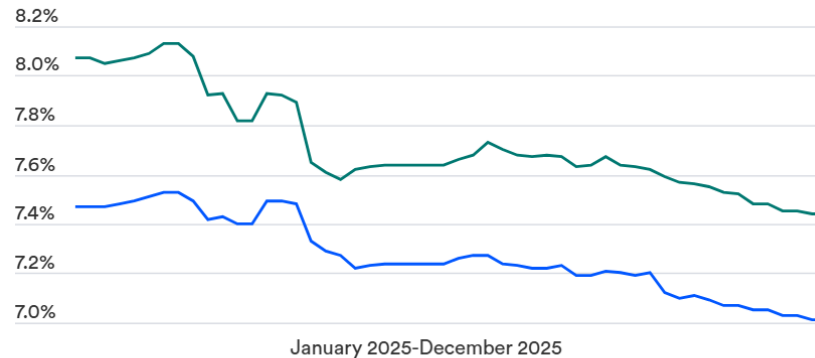
Start: 6.86%

End: 6.16%

% Change: -10.26%

### **Auto loan rates fall year-over-year**

Despite an otherwise tumultuous auto market, the interest rates for both new and used car loans saw steady decreases through 2025.



### 5-Year New Car Loan

Start: 7.47%

End: 7.01%

% Change: -6.12%

### 4-Year Used Car Loan

Start: 8.07%

End: 7.44%

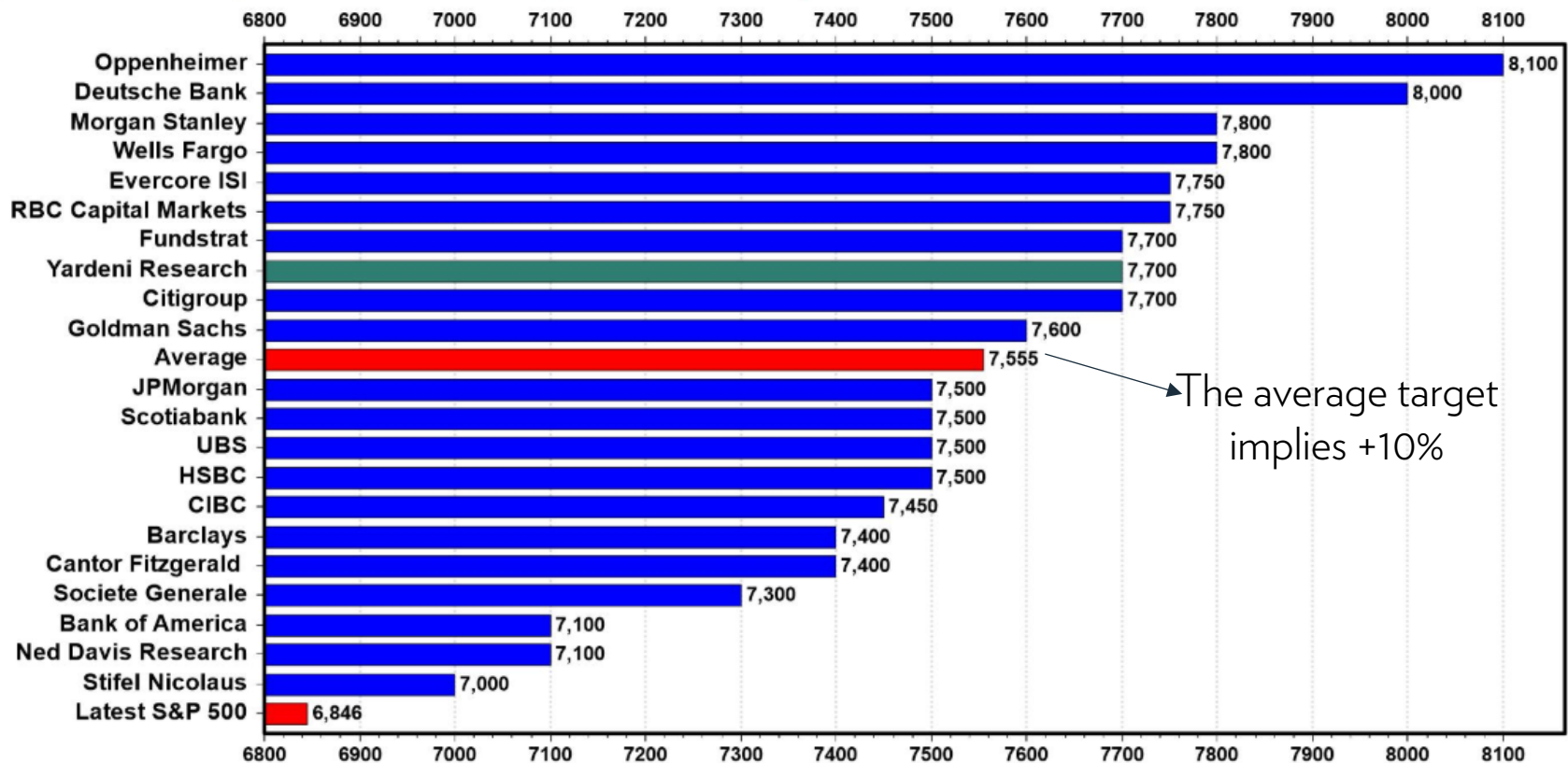
% Change: -7.81%

Source: YCharts, as of 12/31/2025

● 5-year, new car loan ● 4-year, used car loan

## Wall Street's Target For 2026 – All Positive

**S&P 500: WALL STREET'S 2026 YEAR-END PRICE TARGETS**  
(as forecasted in Dec 2025)



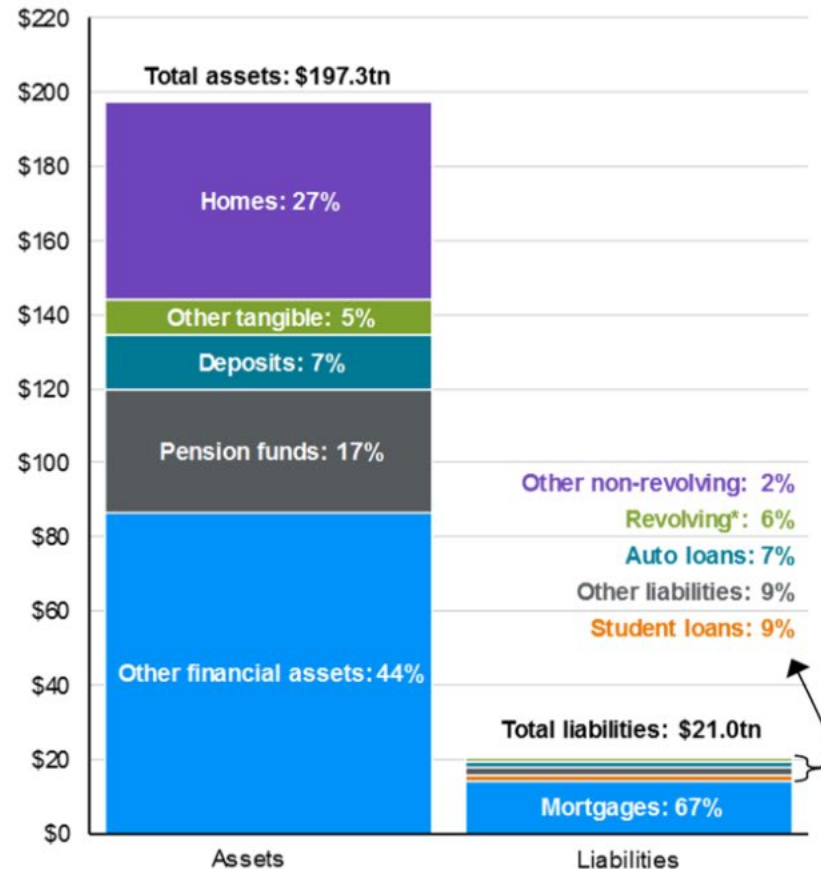
Sources: LSEG Datastream, Yardeni Research, Bloomberg, as of 12/31/2025



# State Of The Consumer – Looking Great

## Consumer balance sheet

2Q25, USD trillions, not seasonally adjusted



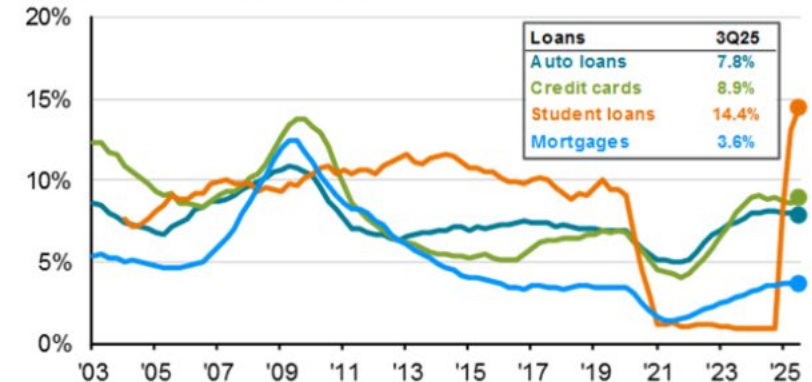
## Household debt service ratio

Debt payments as % of disposable personal income, SA



## Flows into early delinquencies

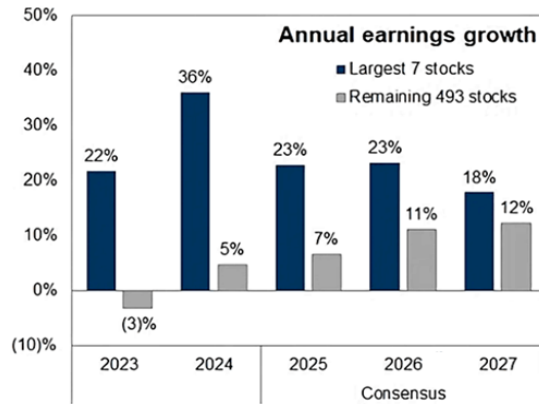
% of balance delinquent 30+ days



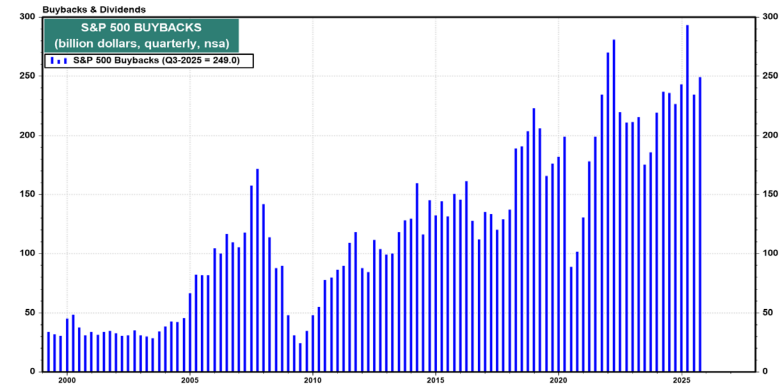
Sources: FactSet, FRB, J.P. Morgan Asset Management, BEA, as of 12/31/2025

# The Set-Up – Earnings, Buybacks, Dividends, Cash

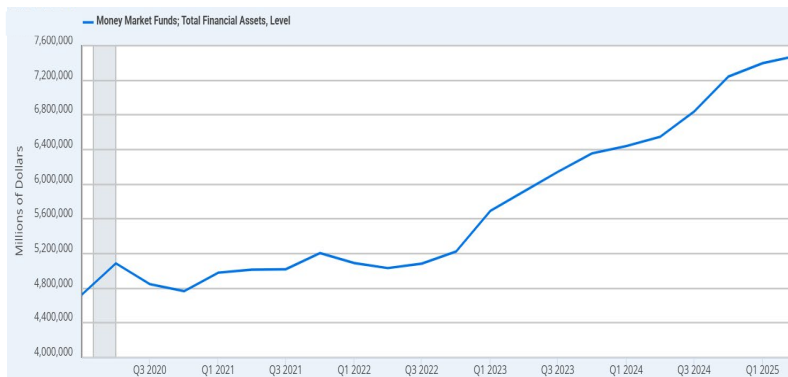
## 1. Earnings – New Highs, Rising



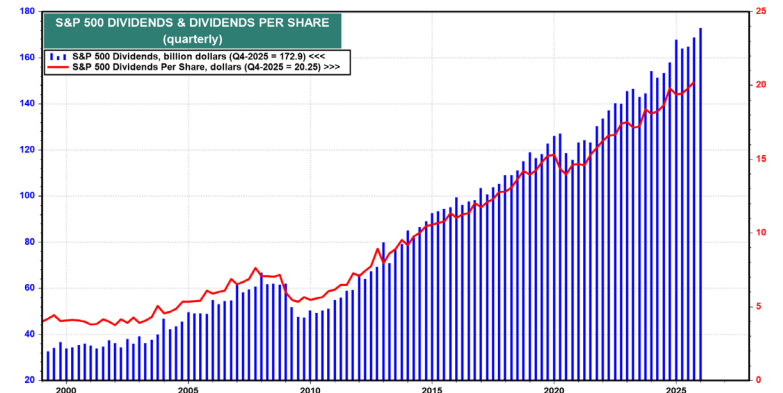
## 3. Buybacks – New Highs, Rising



## 2. Cash – Lots Of Dry Powder



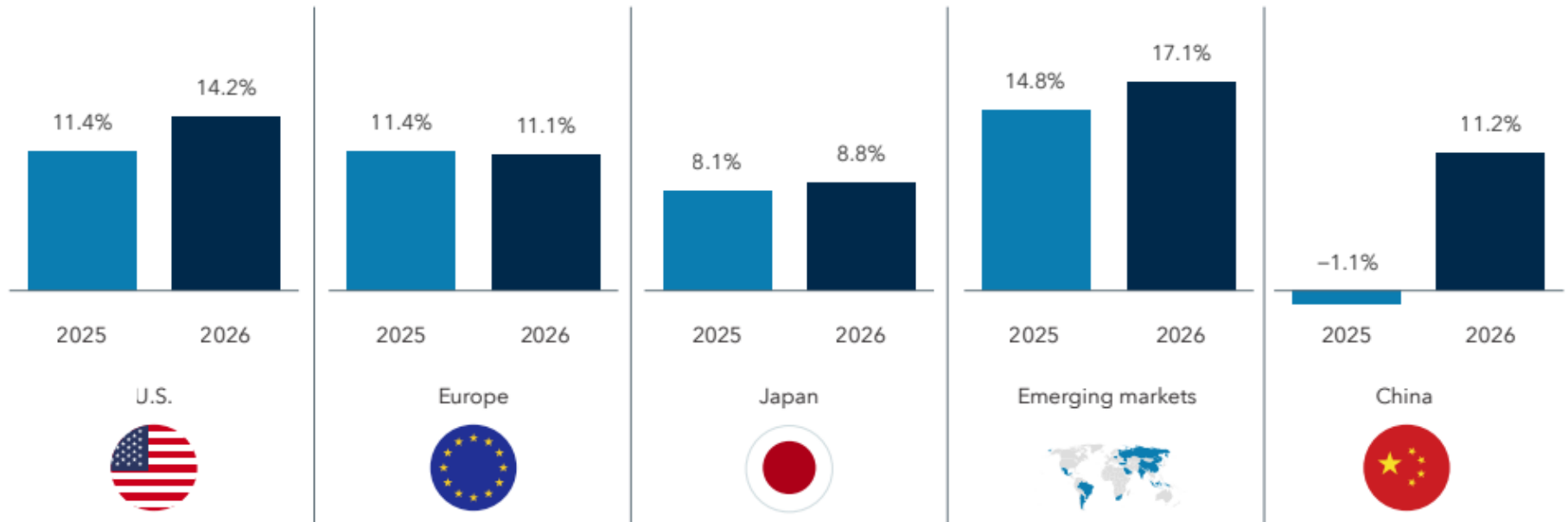
## 4. Dividends – New Highs, Rising



Sources: FactSet, Goldman Sachs Global Investment Research, as of 12/17/2025

## Abundant Earnings Everywhere for 2026

### Estimated annual earnings growth across select global benchmarks



Sources: Capital Group, FactSet, MSCI, Standard & Poor's, as of 11/30/2025

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## Valuations – Earnings Outpacing Price



Sources: Charles Schwab, Bloomberg, as of 12/05/2025

## And...Profit Margins Are Very High



Sources: Capital Group, FactSet, MSCI, Standard & Poor's, as of 11/30/2025

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## Current Valuations Tell You Nothing About Next Year's Returns...

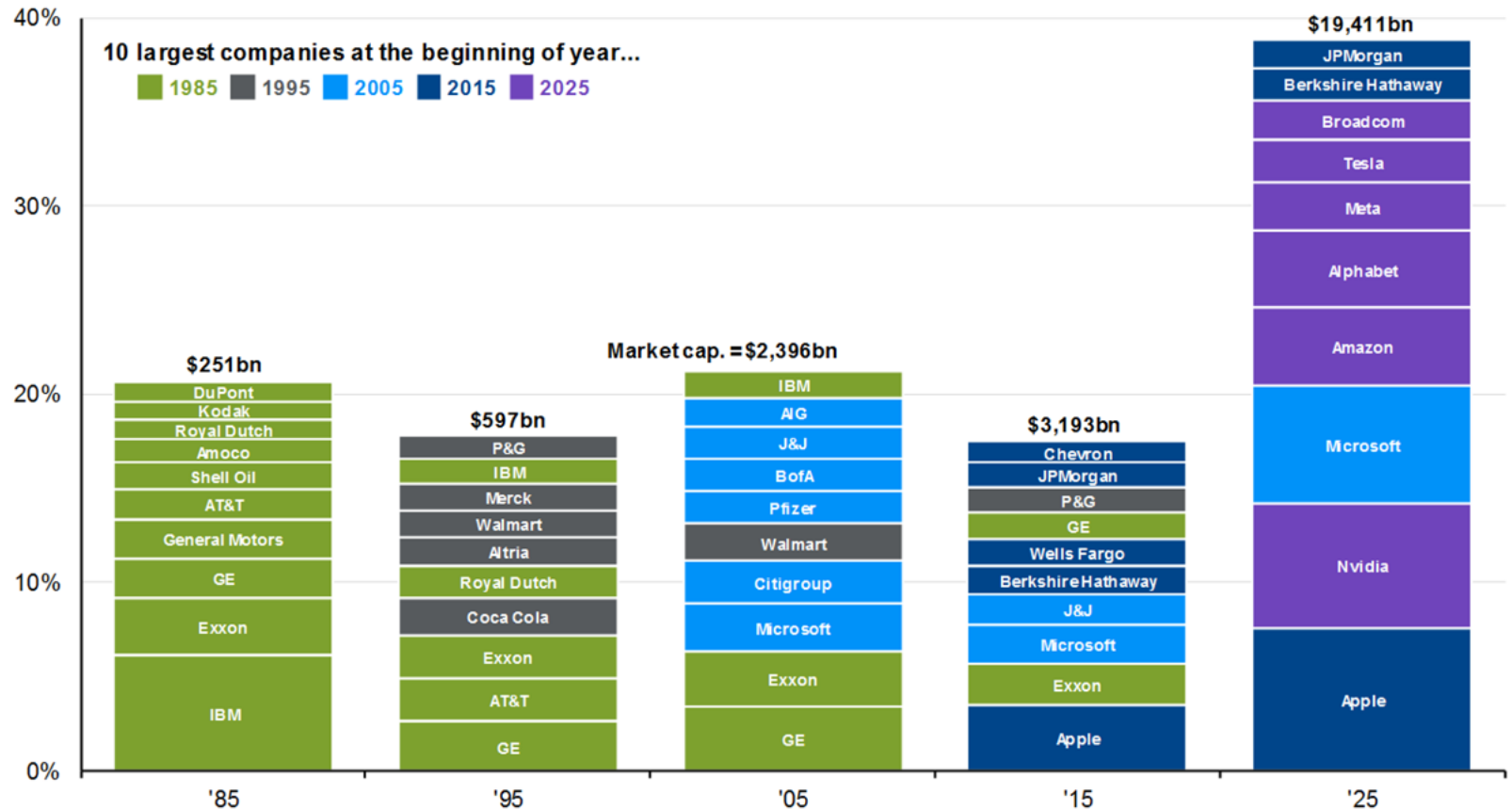


Sources: Charles Schwab, Bloomberg, as of 11/30/2025

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# A View Of The Top 10 In 10 Year Increments, Always Rotating

Percent of S&P 500 market capitalization as of the first day of the indicated year

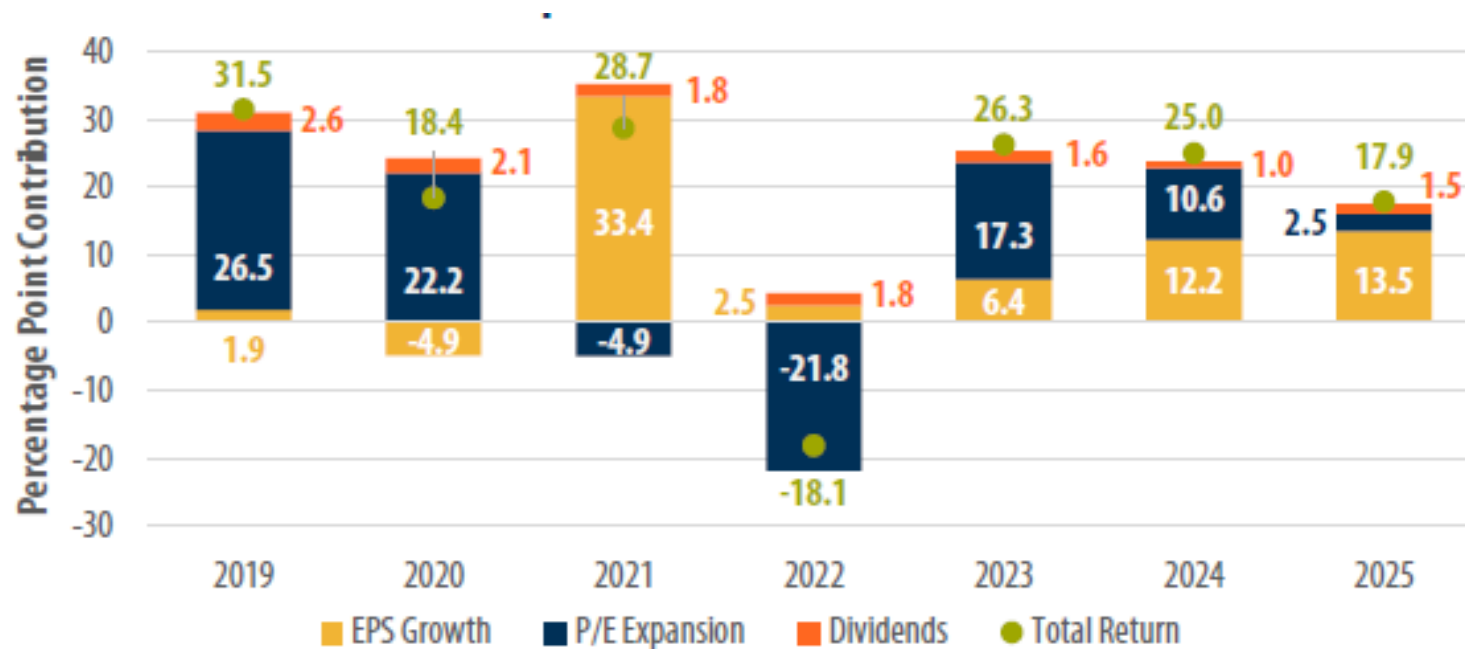


Sources: J.P. Morgan Asset Management, Guide To The Markets, S&P Global, FactSet, Bloomberg, as of 12/31/2025

## Drivers Of Total Return For Stocks

***Earnings + Dividends + P/E Expansion = Total Return***

*\*P/E Expansion = Willingness To Pay For Future Earnings\**



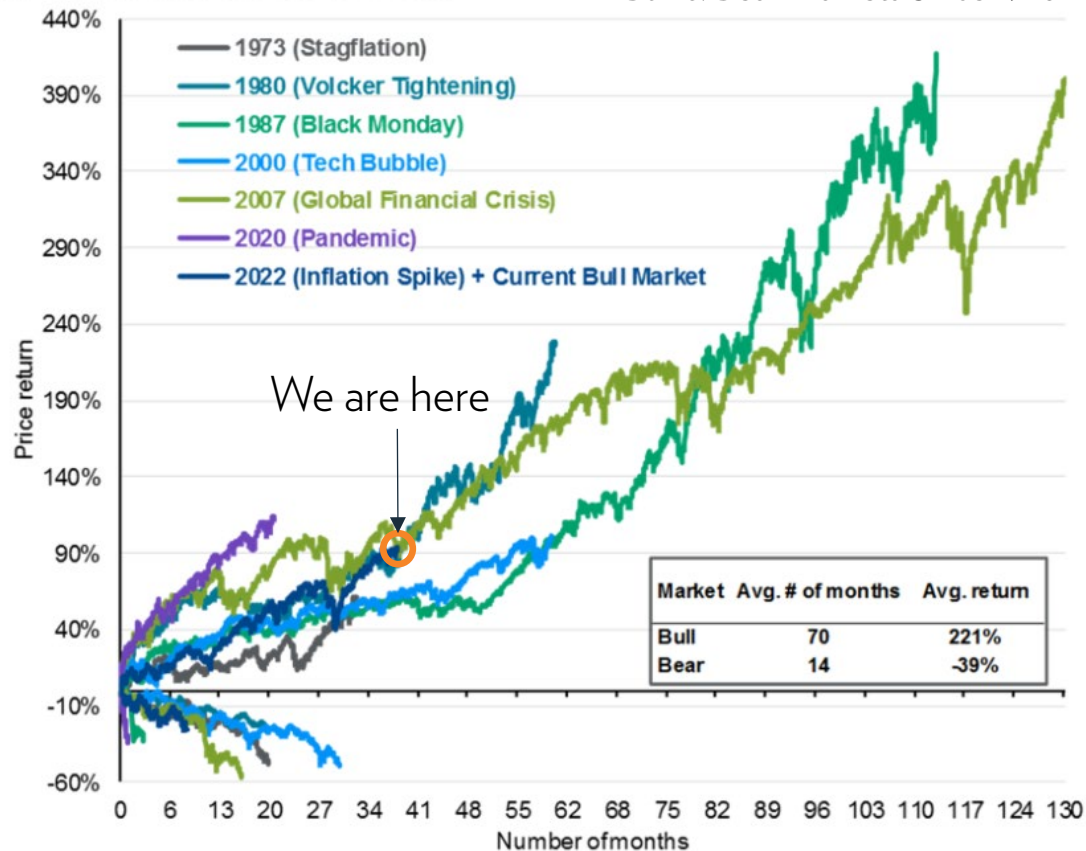
Sources: Bloomberg, S&P 500 Index Data, First Trust Advisors, as of 12/31/2025

## Bull Markets Have Staying Power...

### Length and severity of bear and subsequent bull markets

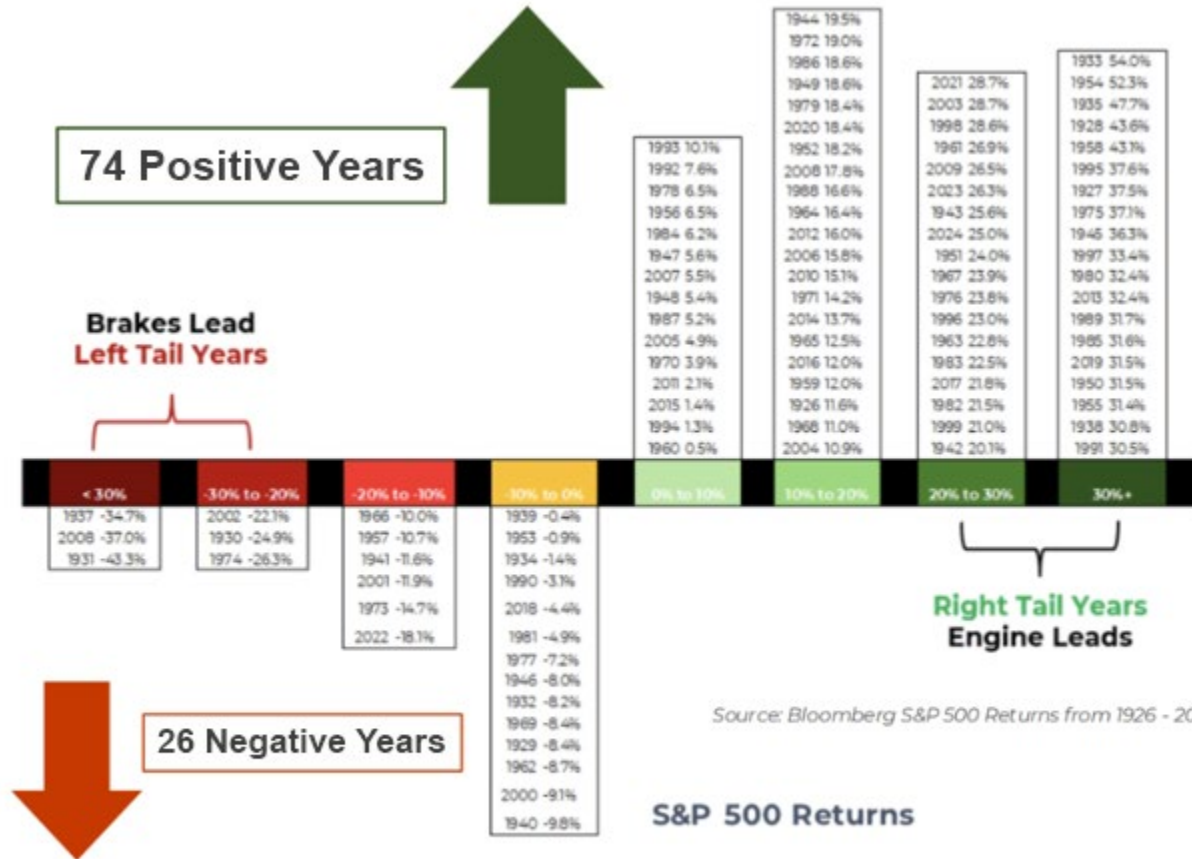
Number of months, S&P 500 price return

Bull & Bear Markets Since 1970



Sources: BEA, FactSet, NBER, Standard & Poor's, J.P. Morgan Asset Management, as of 12/31/2025

# The Odds Are In Your Favor



Source: Bloomberg S&P 500 Returns from 1926 - 2024

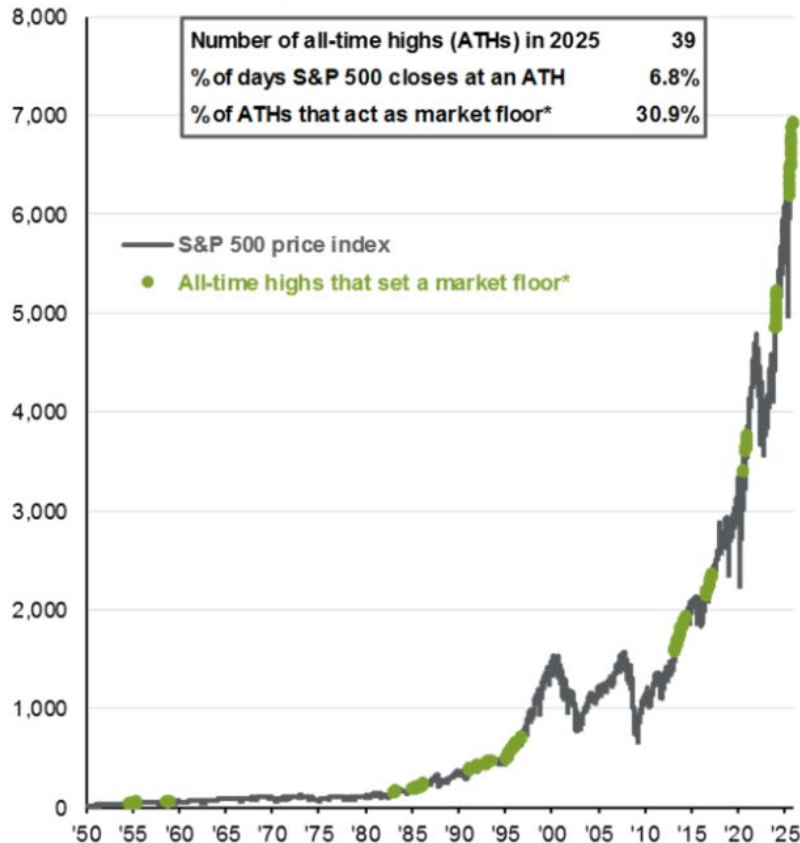
Sources: Bloomberg, Aptus, as of 12/31/2025



# All-Time Highs Lead To More All-Time Highs

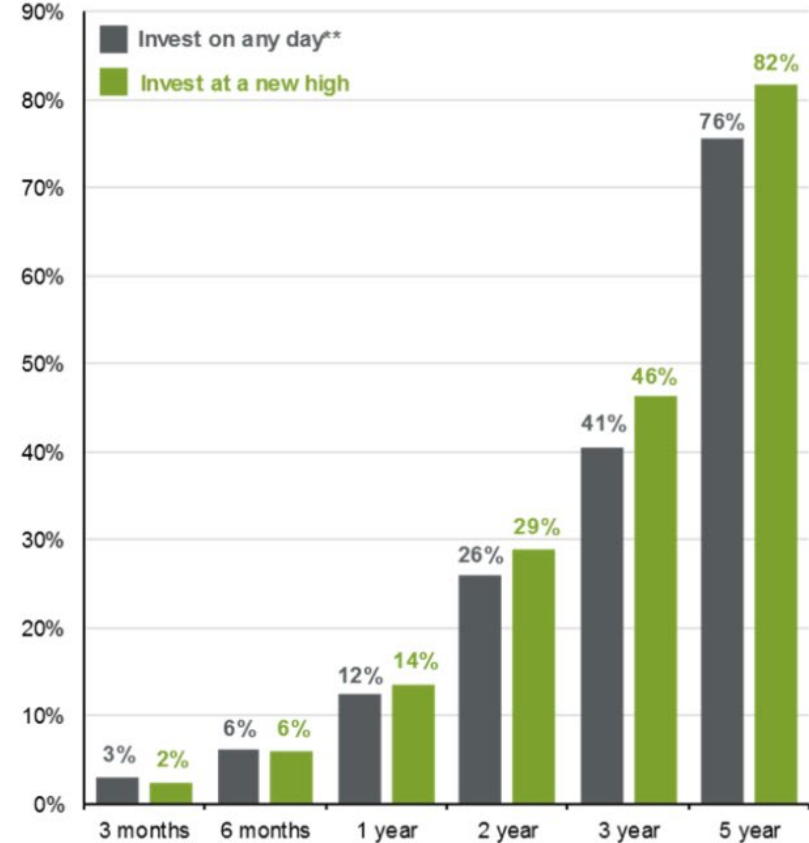
## All-time highs and market floors

S&P 500 price index, daily, 1950 - present



## Average cumulative S&P 500 total returns

Jan 1, 1988 - Dec 31, 2025

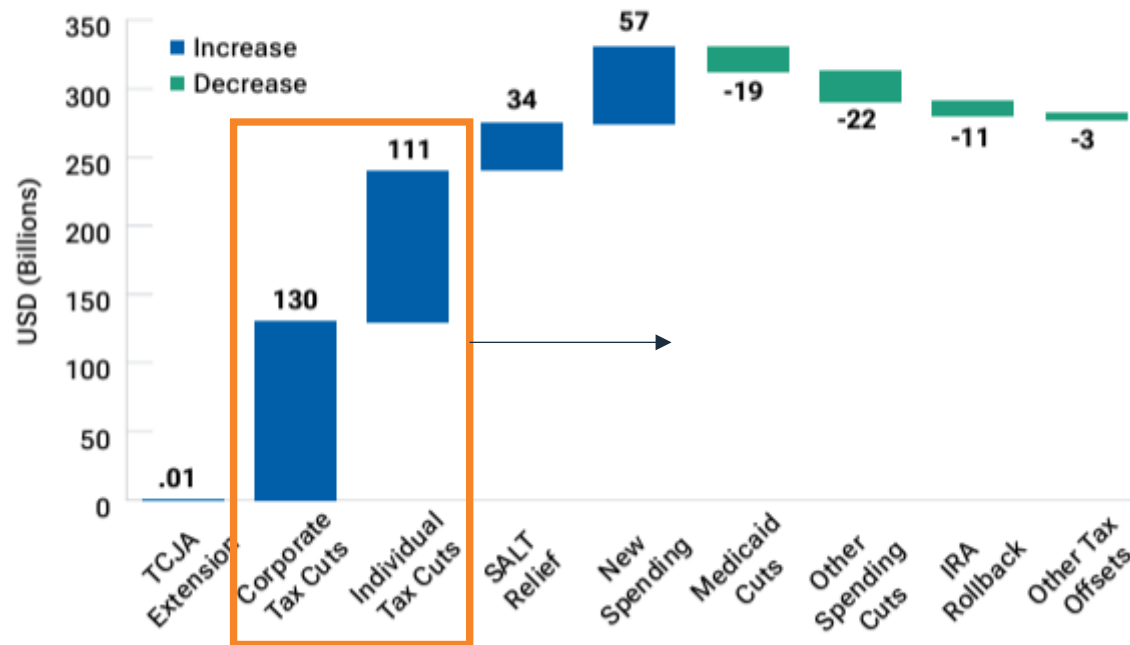


Sources: FactSet, Standard & Poor's, J.P. Morgan Asset Management, as of 12/31/2025

# The Impact Of OBBBA

## Net fiscal impulse from One Big Beautiful Bill Act estimated in FY 2026

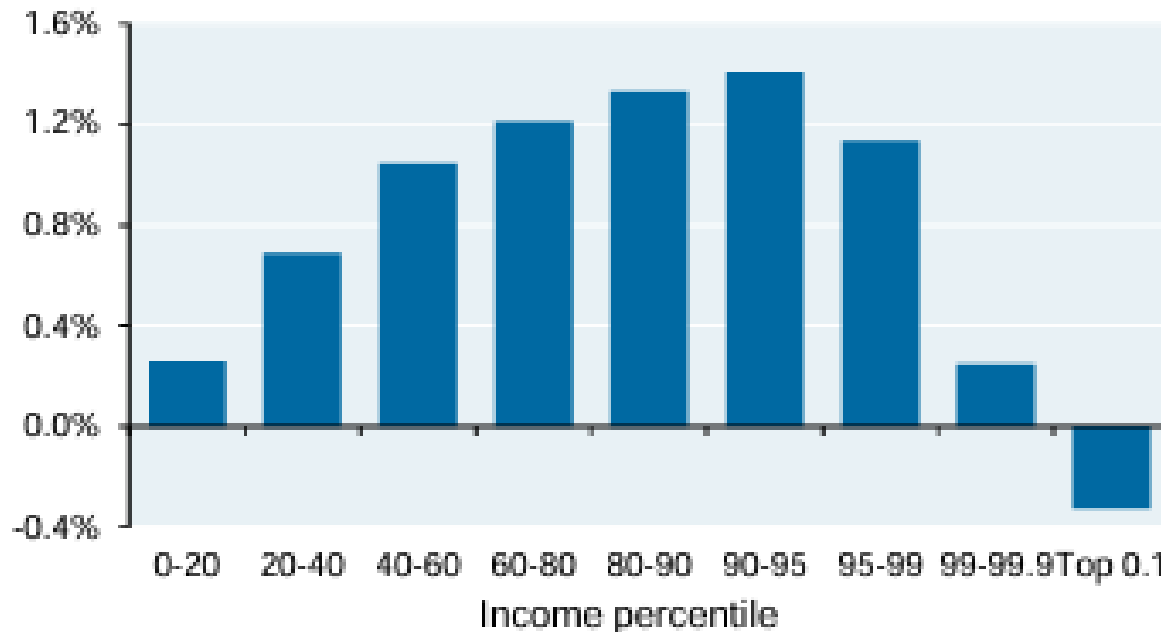
(Fig. 3) Billions of USD vs. current policy



Sources: T. Rowe Price, Wolfe Research Portfolio Strategy, Wolfe Research DC Policy, Bloomberg, as of 12/15/2025

## Who Benefits From Tax Cuts?

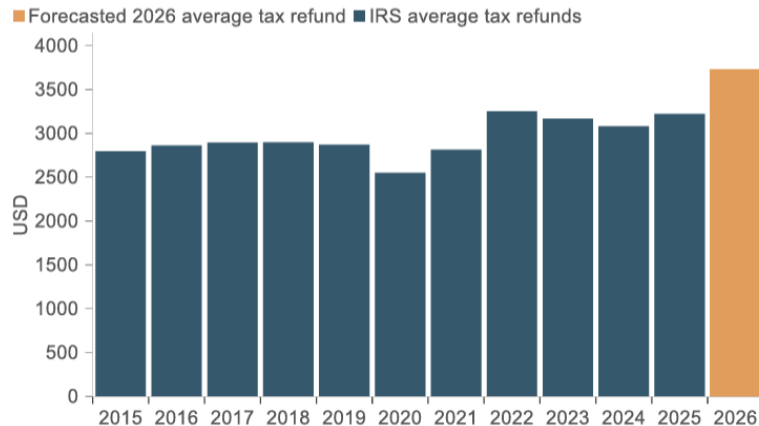
**Change in after-tax income by income group for OBBBA tax changes, Percent, excludes impact of TCJA extension**



Sources: J.P. Morgan Asset Management, Michael Cembalest, Eye On The Market, Tax Policy Center, as of 10/31/2025

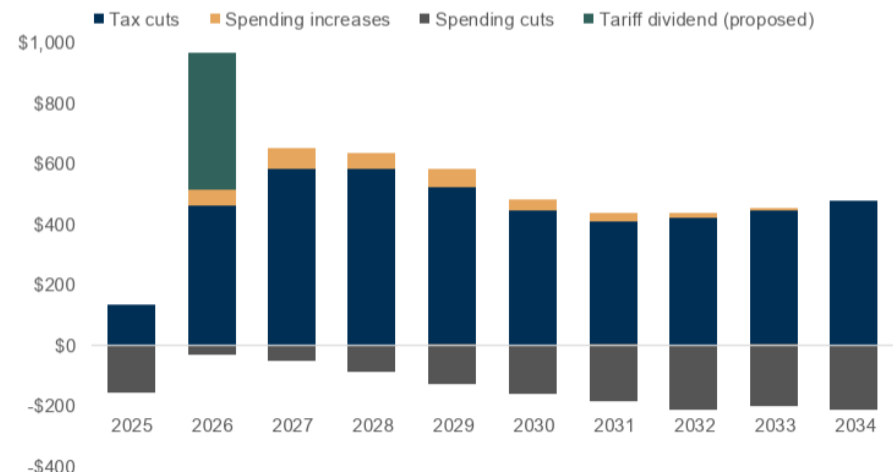
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## OBBBA – Refunds & Stimulus



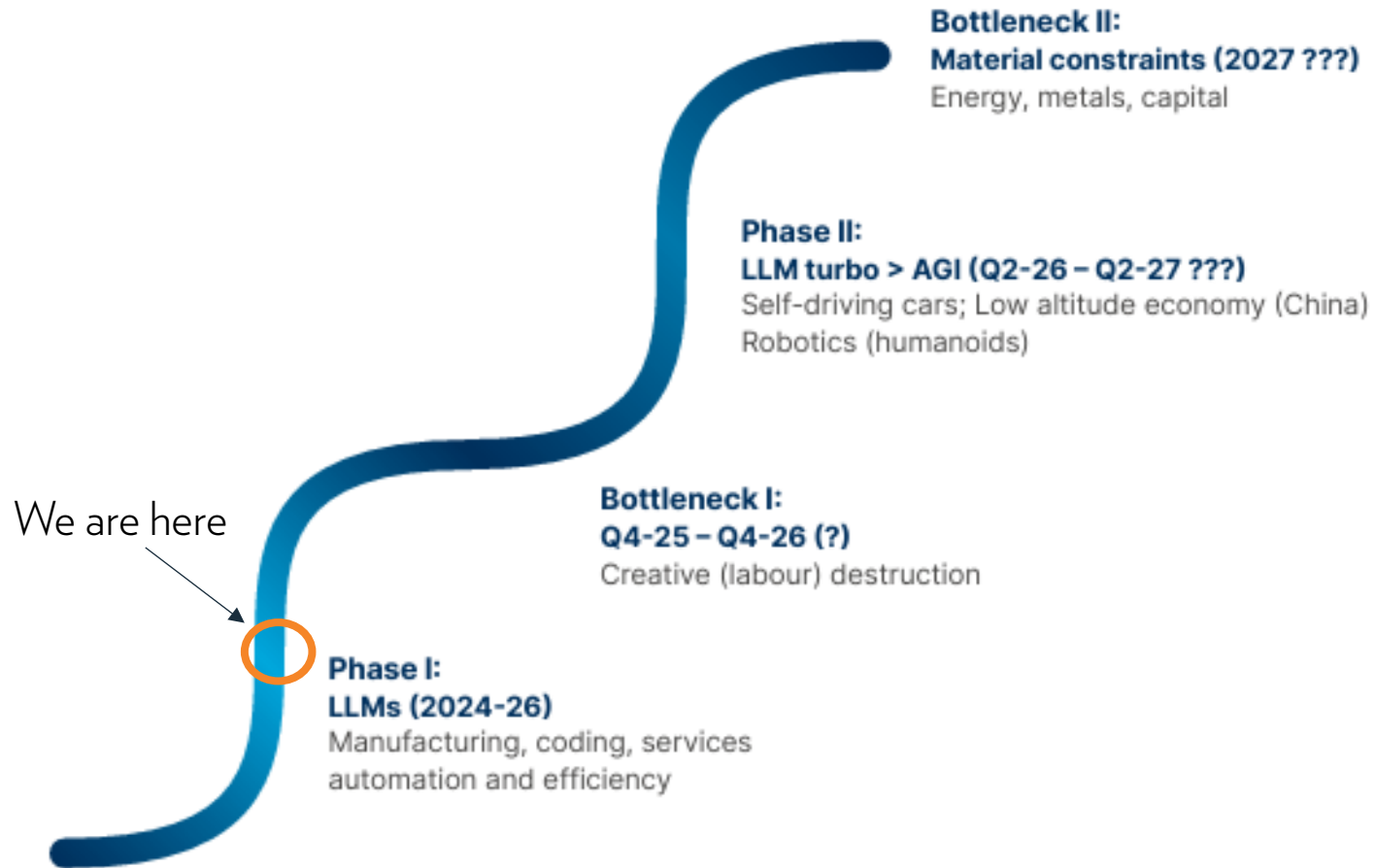
A Surprise Tax Refund Coming Soon..

Notice The Long Tail Through 2034



Sources: New York Life Investments Global Market Strategy, IRS, J.P. Morgan, Macrobond, Yale Budget Lab, CBO, Joint Committee on Taxation, as of 11/30/2025

## AI – The Double S-Curve

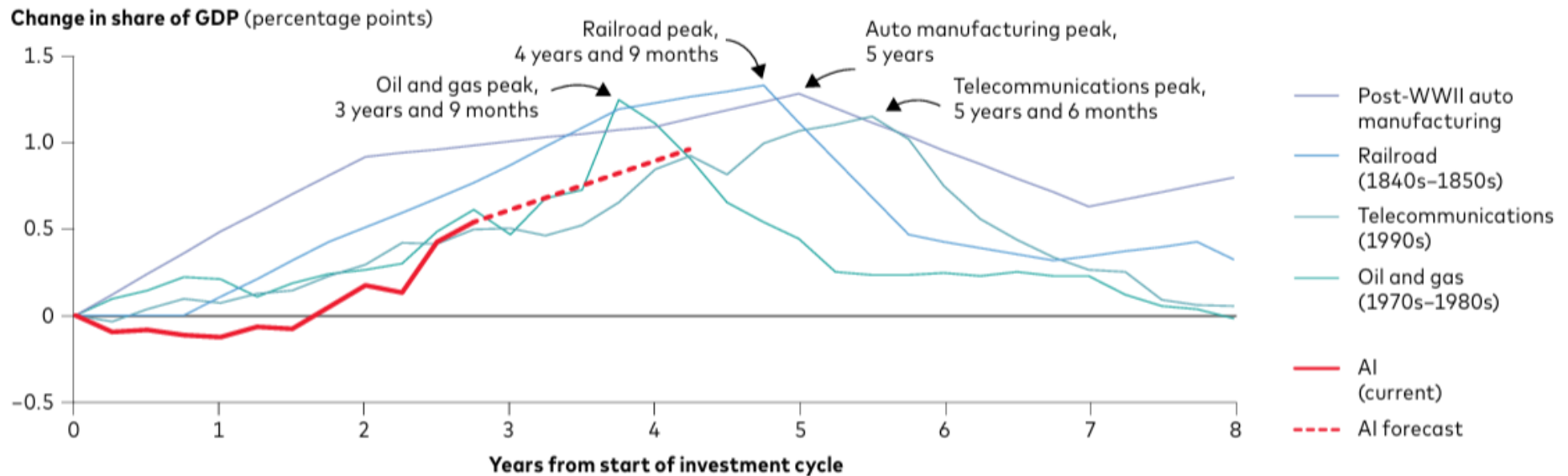


Source: Ashmore, as of 11/30/2025

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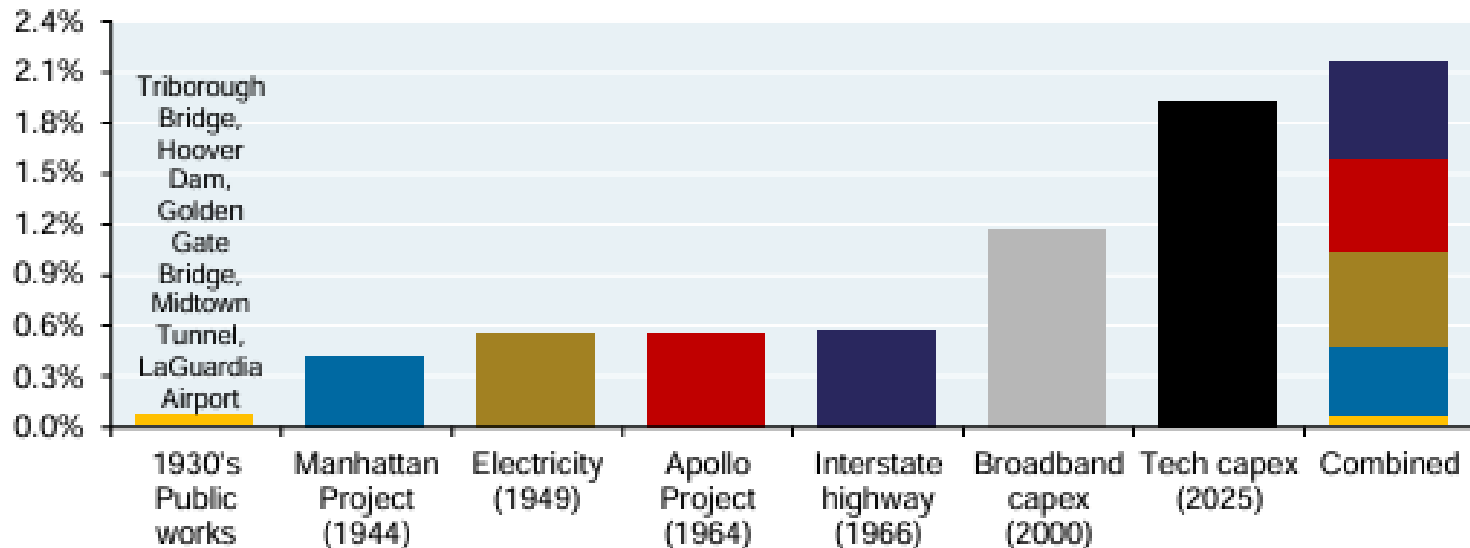
## USA – A History Of Innovation



Sources: Vanguard Calculations, BEA, as of 10/31/2025

## AI – An Economic Boom For The Ages

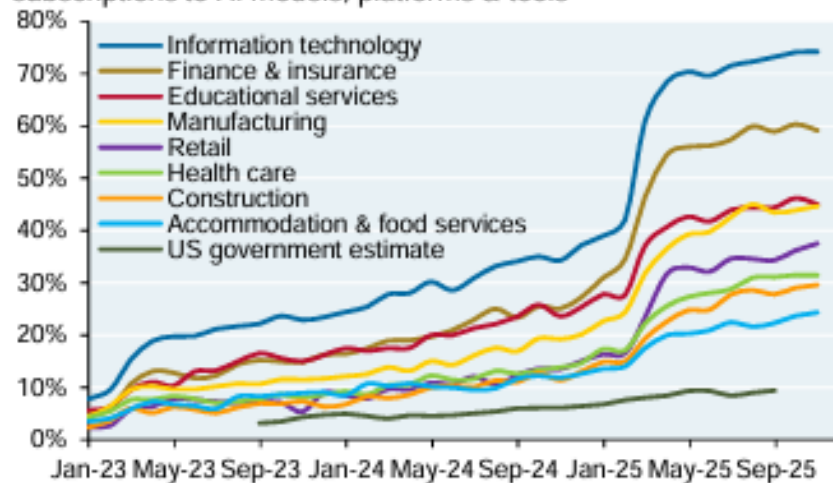
**Tech capital spending in 2025 vs spending on major US infrastructure projects**  
Peak annual project percent of GDP



Sources: J.P. Morgan Asset Management, Michael Cembalest, Eye On The Markets, Manhattan District History, BEA, Planetary Society, Eno Center For Transportation, San Francisco Fed, Hoover archives, Baruch, GoldenGate.org, New York Times, as of 12/31/2025

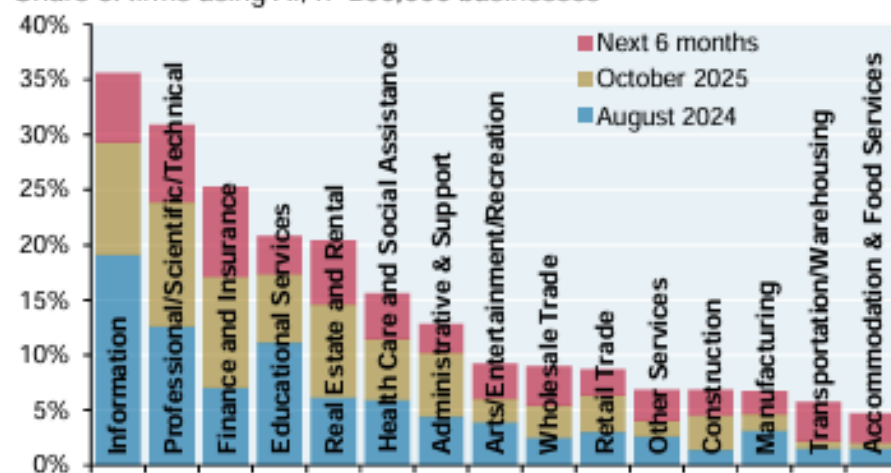
## AI Adoption Is Ramping Up...

**AI adoption rate by sector**, Share of US businesses with paid subscriptions to AI models, platforms & tools



**Census: AI adoption rates by sector and date**

Share of firms using AI, n=200,000 businesses

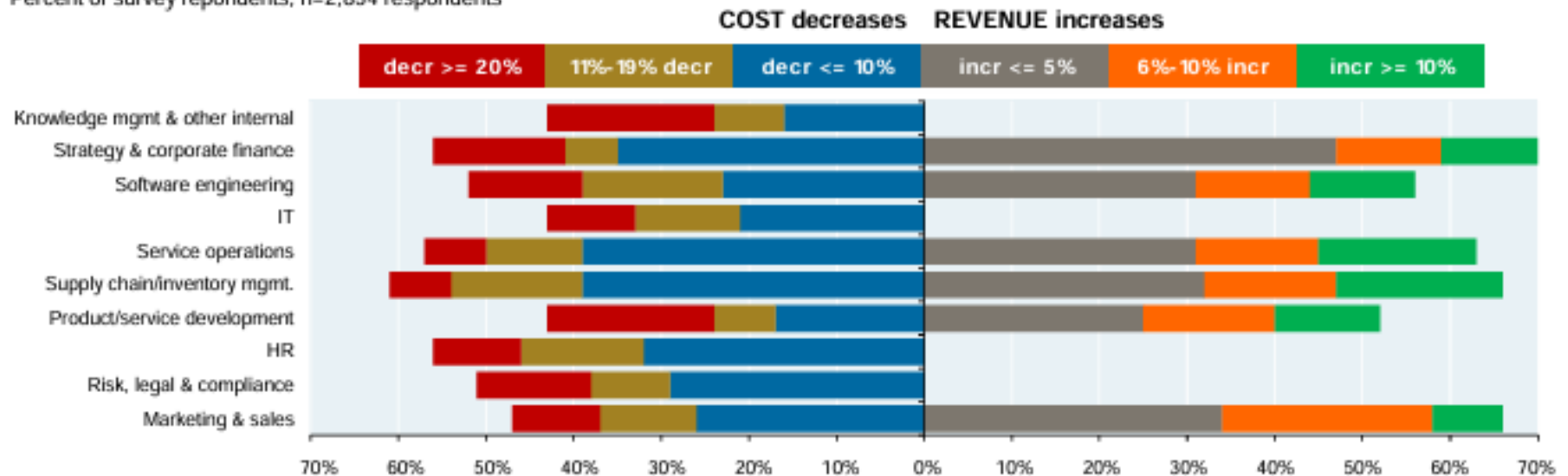


Sources: J.P. Morgan Asset Management, Michael Cembalest, Eye On The Markets, Ramp, U.S. Census Bureau, as of 10/31/2025

## ...Because It's Reducing Expenses And Increasing Revenue...

### Cost decreases and revenue increases from generative AI use

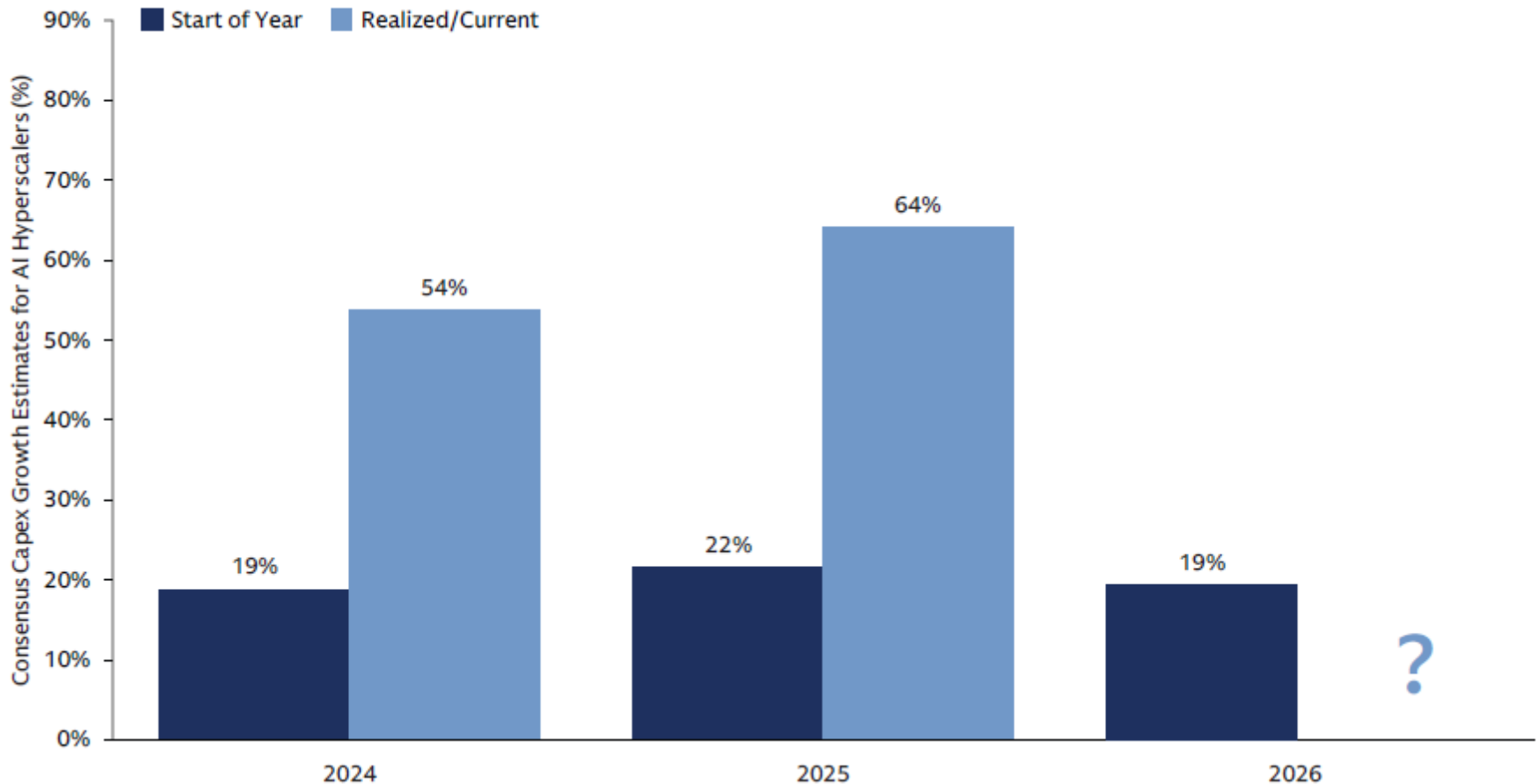
Percent of survey respondents, n=2,854 respondents



Sources: J.P. Morgan Asset Management, Michael Cembalest, Eye On The Markets, Stanford AI Index Report, as of 12/31/2025

## ...Which Is Why Companies Are Spending More Money On AI

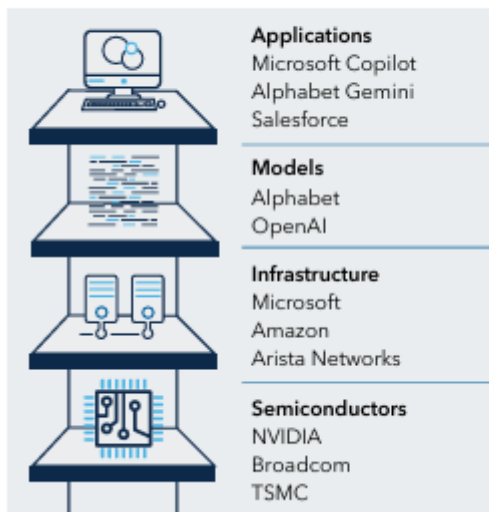
Consensus capex growth estimates for AI hyperscalers



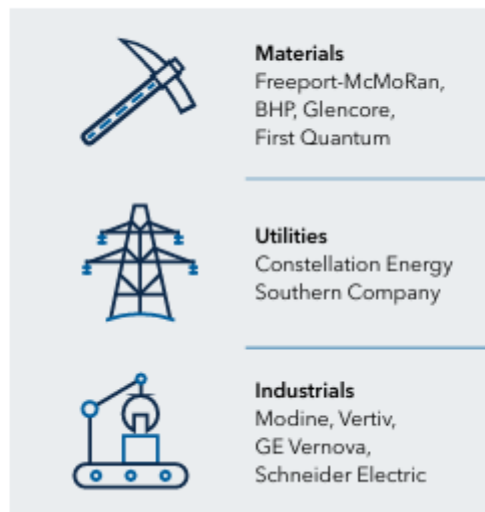
Sources: FactSet, Goldman Sachs Global Investment Research, as of 10/17/2025. Hyperscalers Included: Amazon, Google, Meta, Microsoft, and Oracle.

# AI Value Chain – It Runs Deeper Than You Think

## AI tech stack



## Secondary beneficiaries



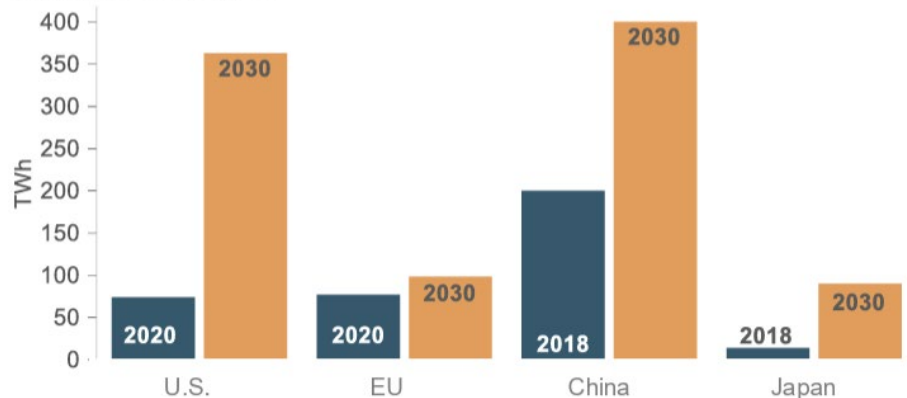
## Third-tier beneficiaries



Source: Capital Group, as of 11/30/2025

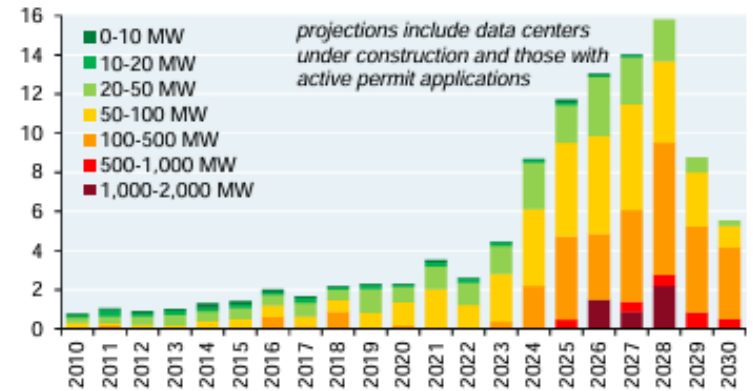
# We're Going To Need More Power...

Data center electricity use

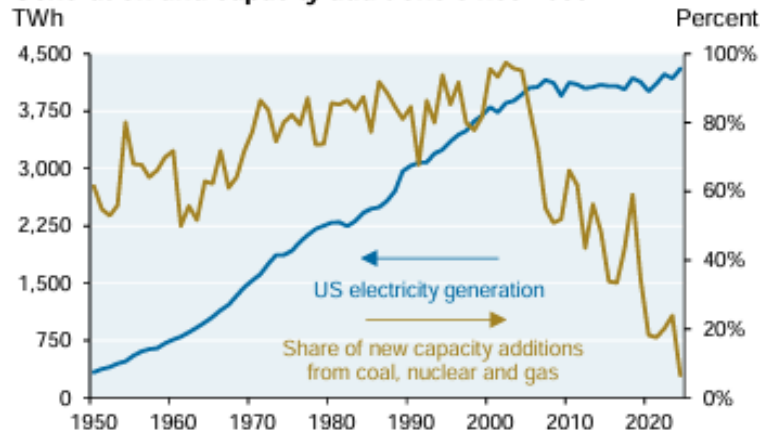


US data center additions by size and year

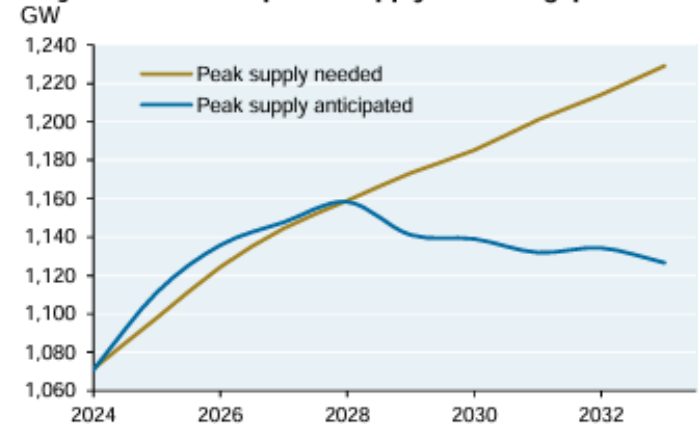
GW, including hyperscaler and retail/wholesale colocation facilities



Generation and capacity additions since 1950



Projections of a US power supply-demand gap



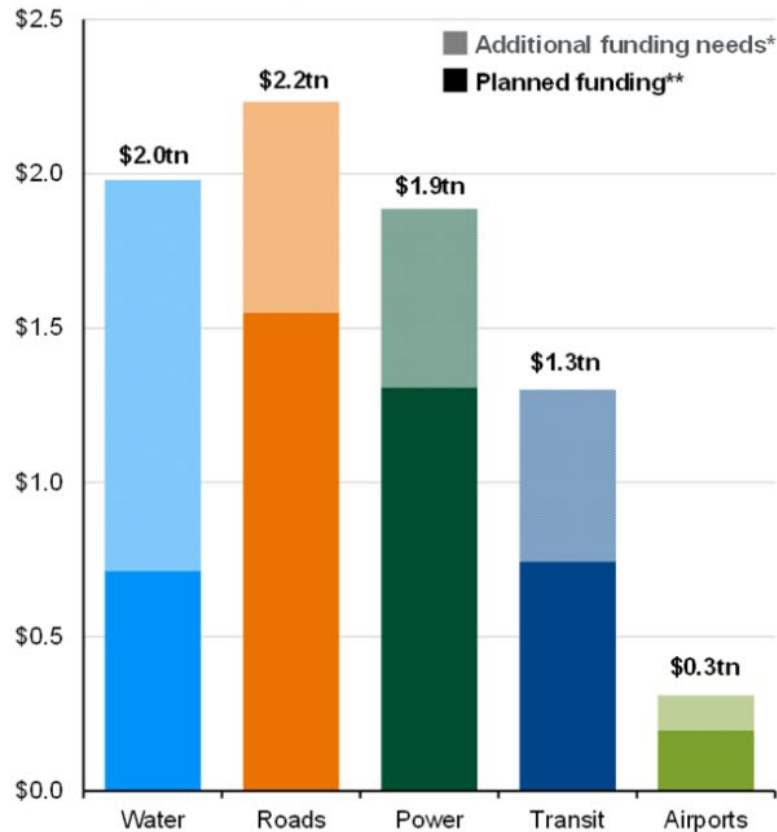
Sources: New York Life Investments Global Market Strategy, International Energy Agency, CBRE Investment Management, European Commission, China's State Council, Japan Science and Technology Agency, S&P Global, U.S. Energy Information Administration, Macrobond, as of 11/30/2025



## And More Power Means More Infrastructure...

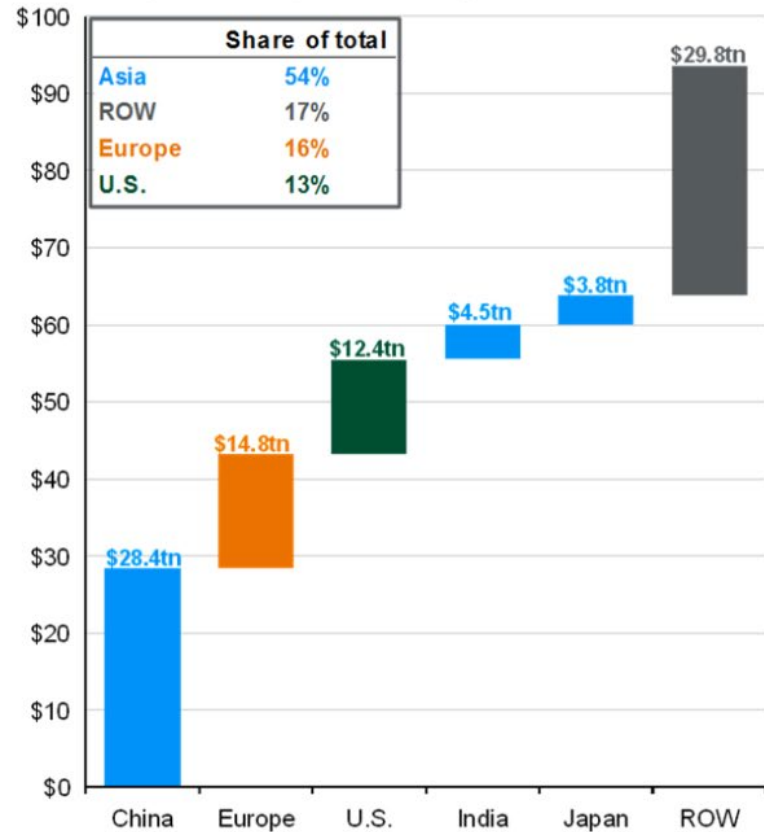
### U.S. infrastructure funding & funding gaps

USD trillions, 2024 - 2033, as of 2024



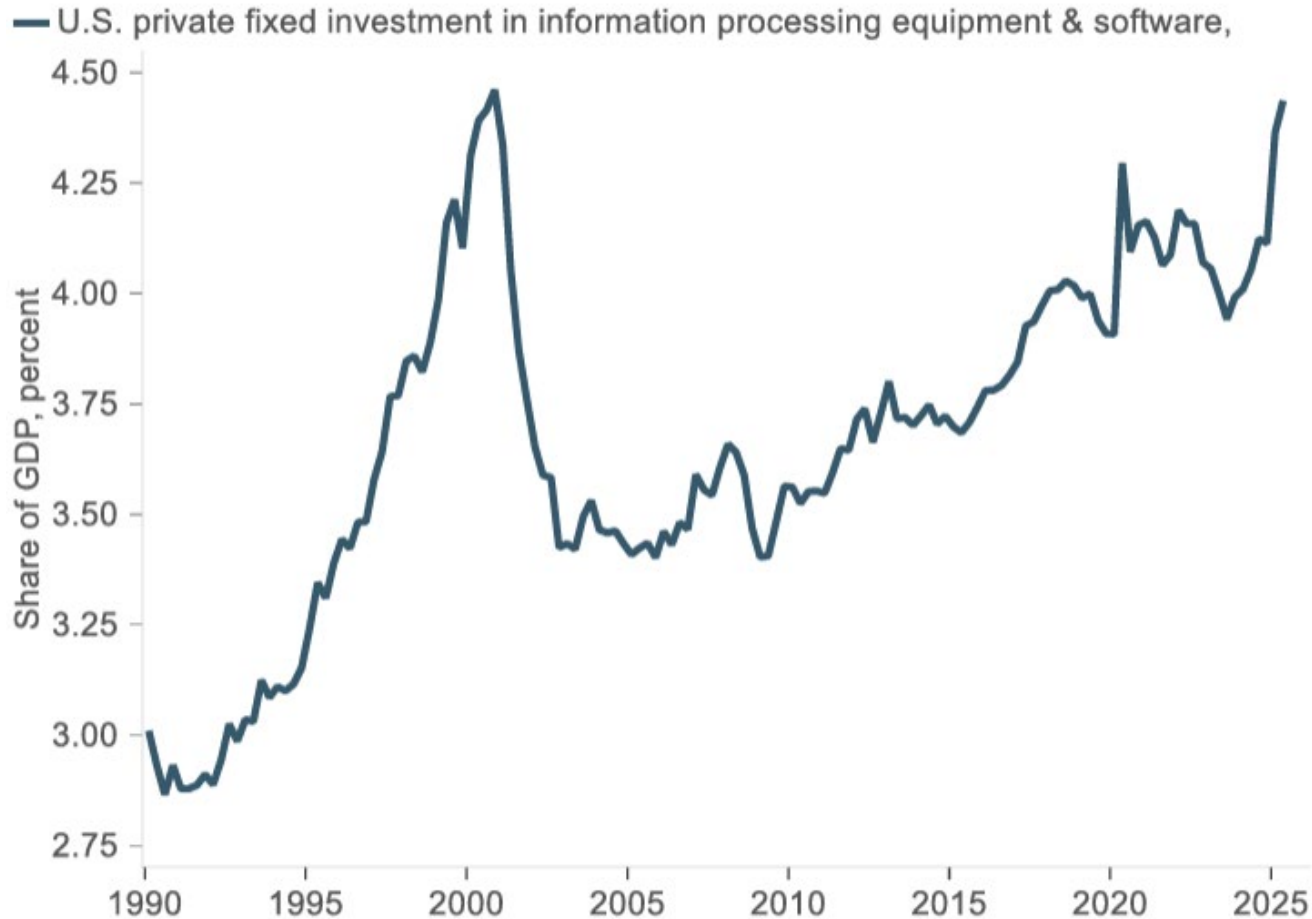
### Infrastructure investment needs by region

USD trillions, 2016 - 2040, constant 2016 prices



Sources: American Society of Civil Engineers, Global Infrastructure Hub by G20, J.P. Morgan Asset Management, as of 12/31/2025

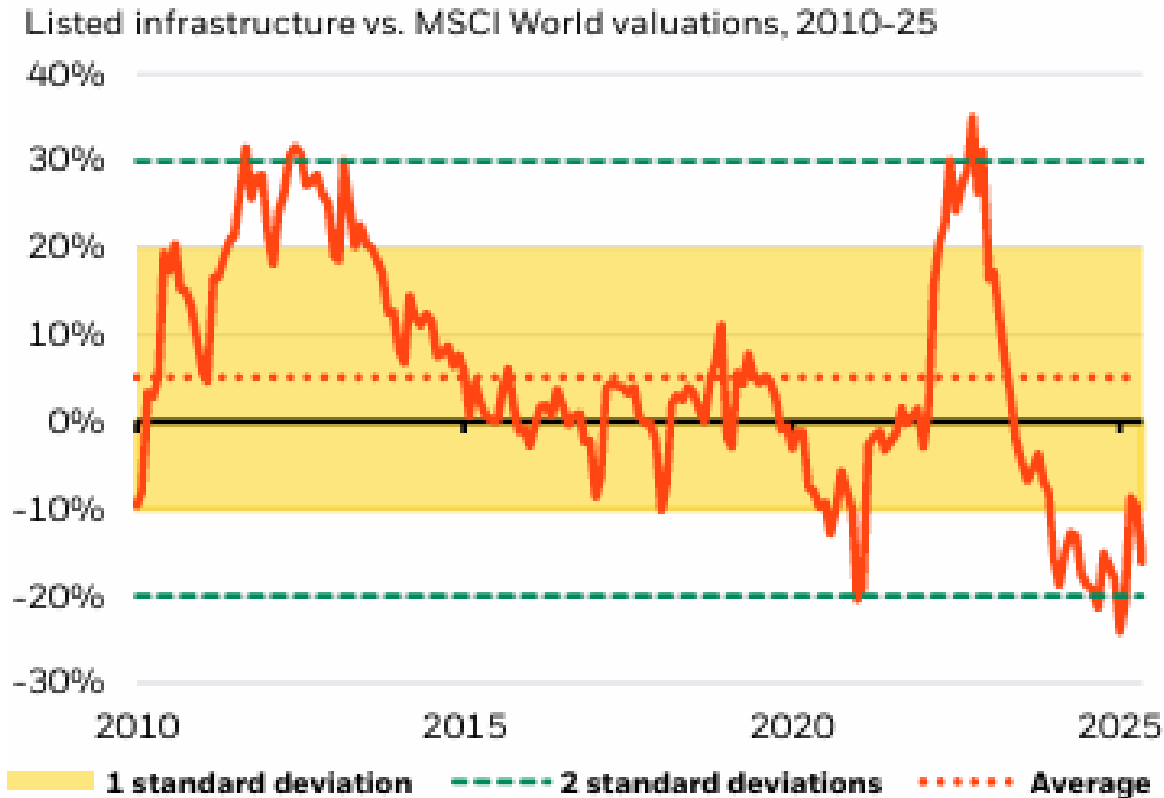
## Which Has Led To More Spending on Infrastructure...



Sources: New York Life Investments Global Market Strategy, U.S. Bureau of Economic Analysis, Macrobond, as of 11/30/2025

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## And That Creates An Opportunity Within Infrastructure/Power



Sources: BlackRock Investment Institute, FTSE, MSCI, as of 12/31/2025

# A Dovish Fed?

## FOMC - ITC Hawk/Dove Analysis

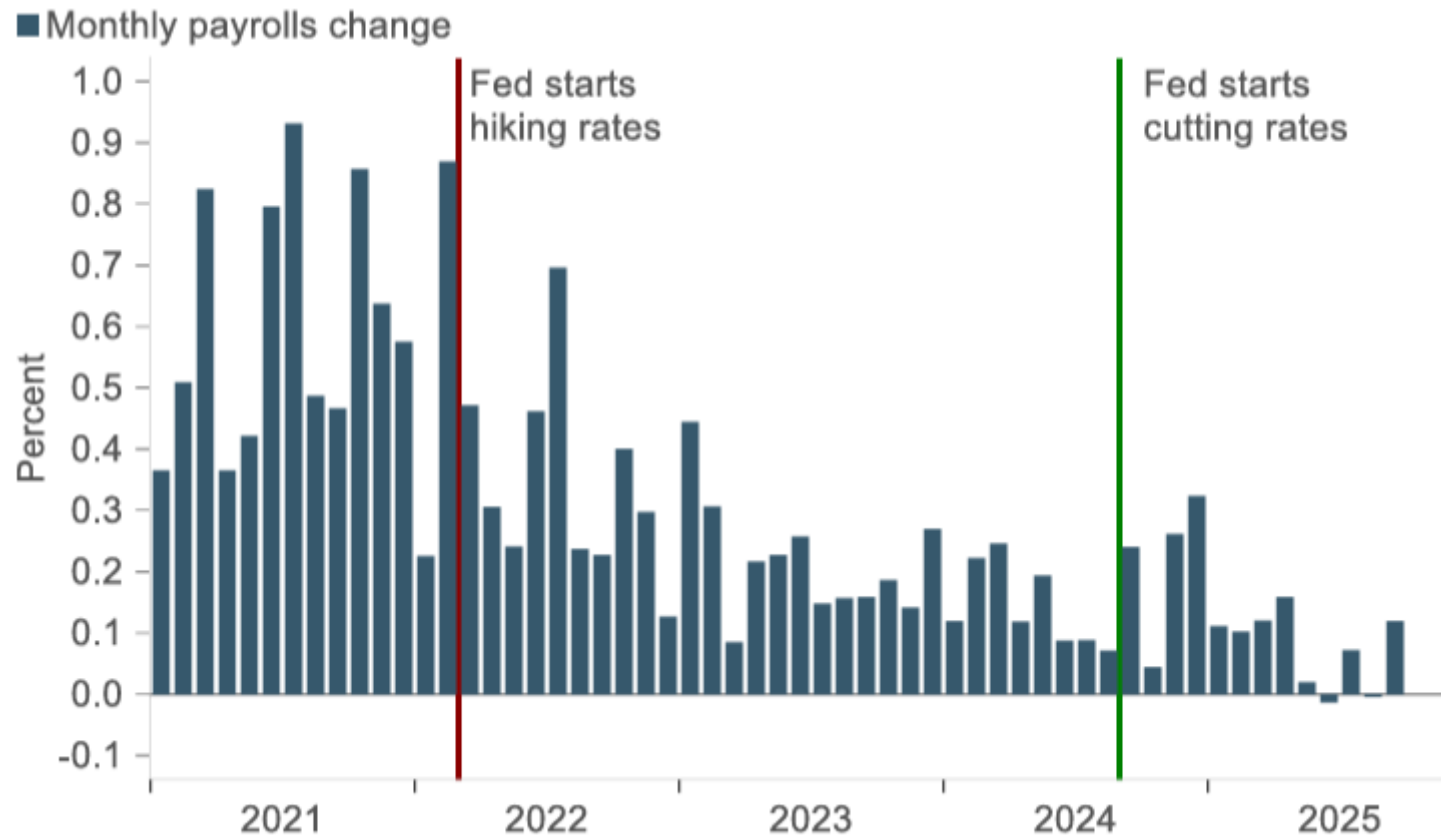
			Voter?		
Name	Position	Hawk Scale	2026	2027	2028
Most Dovish					
Miran	Board	<div></div>	✓	✓	✓
Waller	Board	<div></div>	✓	✓	✓
Bowman	Board	<div></div>	✓	✓	✓
Jefferson	Vice Chairman	<div></div>	✓	✓	✓
Paulson	Philadelphia	<div></div>	✓	✗	✗
Cook	Board	<div></div>	✓	✓	✓
Powell	Chairman	<div></div>	✓	✓	✓
Williams	New York	<div></div>	✓	✓	✓
Daly	San Francisco	<div></div>	✗	✓	✗
Barr	Board	<div></div>	✓	✓	✓
Collins	Boston	<div></div>	✗	✗	✓
Goolsbee	Chicago	<div></div>	✗	✓	✗
Kashkari	Minneapolis	<div></div>	✓	✗	✗
Bostic	Atlanta	<div></div>	✗	✓	✗
Musalem	St Louis	<div></div>	✗	✗	✓
Logan	Dallas	<div></div>	✓	✗	✗
Barkin	Richmond	<div></div>	✗	✓	✗
Schmid	Kansas City	<div></div>	✗	✗	✓
Hammack	Cleveland	<div></div>	✓	✗	✓
Most Hawkish					

Powell's role as Chairman  
ends May 2026



Source: ITC Markets Research, as of 12/19/2025

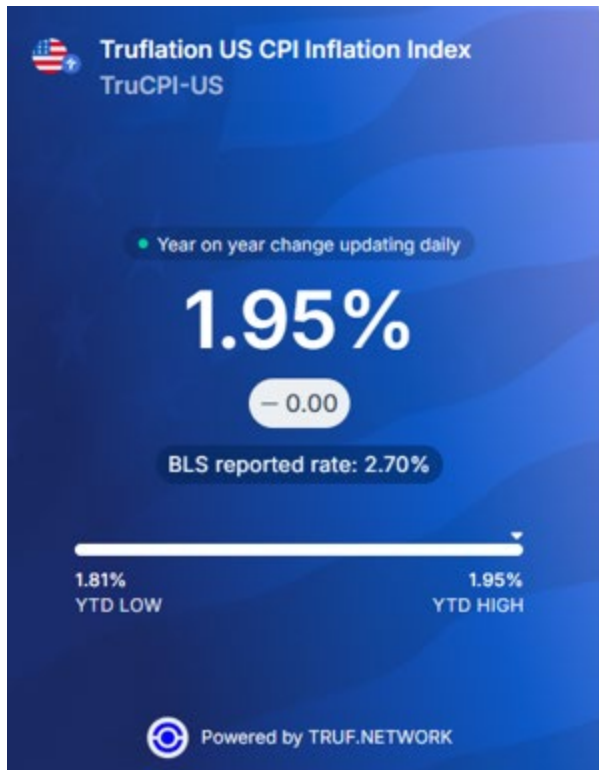
## Employment Forcing The Fed's Hand...



Sources: New York Life Investments Global Market Strategy, U.S. Bureau of Labor Statistics, Macrobond, as of 11/30/2025

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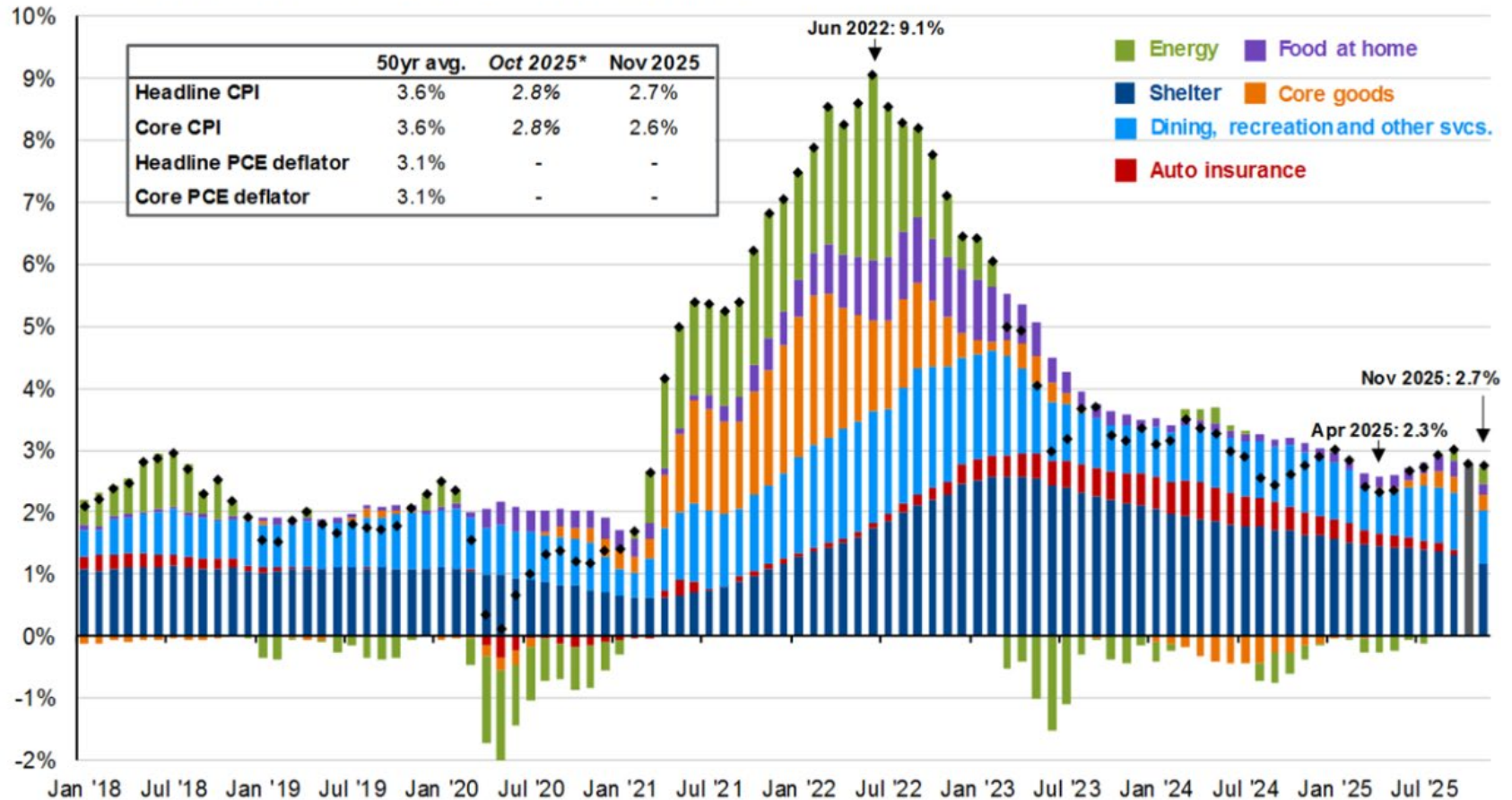
## Because Inflation Is Low...



Source: Truflation, as of 01/05/2026

## And Shelter Will Take Us Lower

Contribution to year-over-year % change in CPI, non-seasonally adjusted

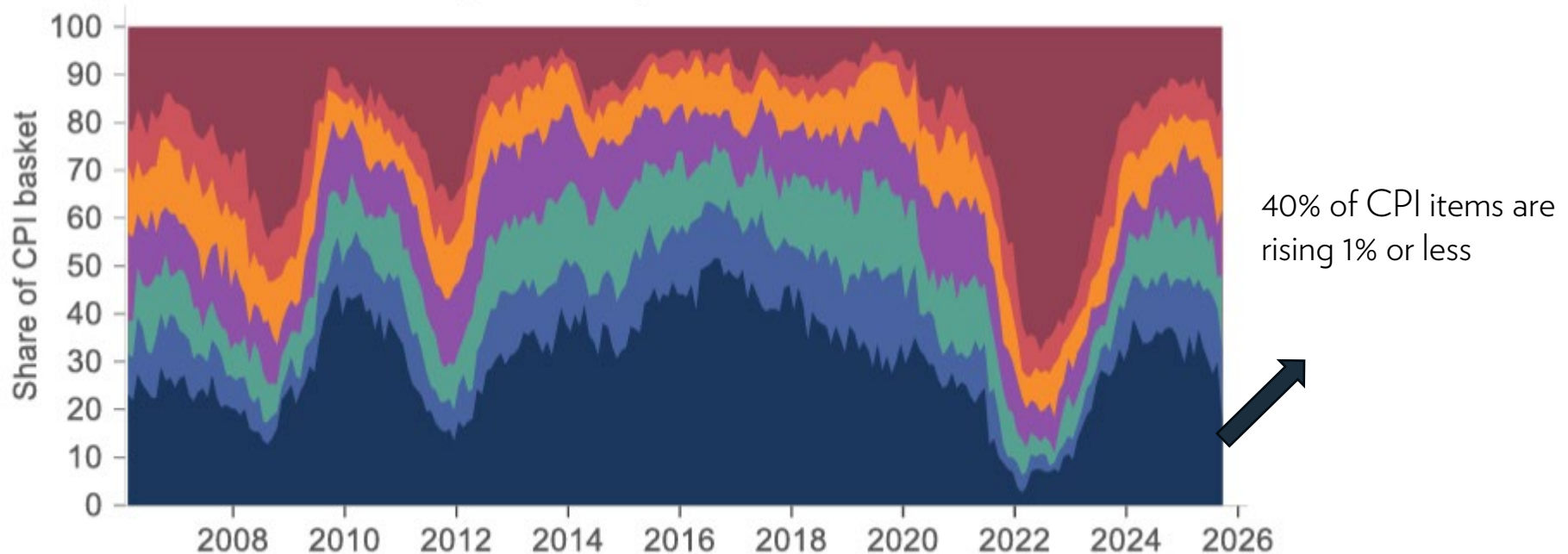


Sources: J.P. Morgan Asset Management, Guide To The Markets, Bloomberg, Bureau of Labor Statistics, as of 12/31/2025

## Remember Where We Came From

Distribution of price changes in the CPI basket

■ Share of CPI basket components rising over 5% annually ■ 4-5% ■ 3-4% ■ 2-3%  
■ 1-2 percent ■ 0-1% ■ Unchanged or falling



Sources: New York Life Investments Global Market Strategy, BLS, BEA, Macrobond, as of 11/30/2025



## Intervention Expected To Address Affordability

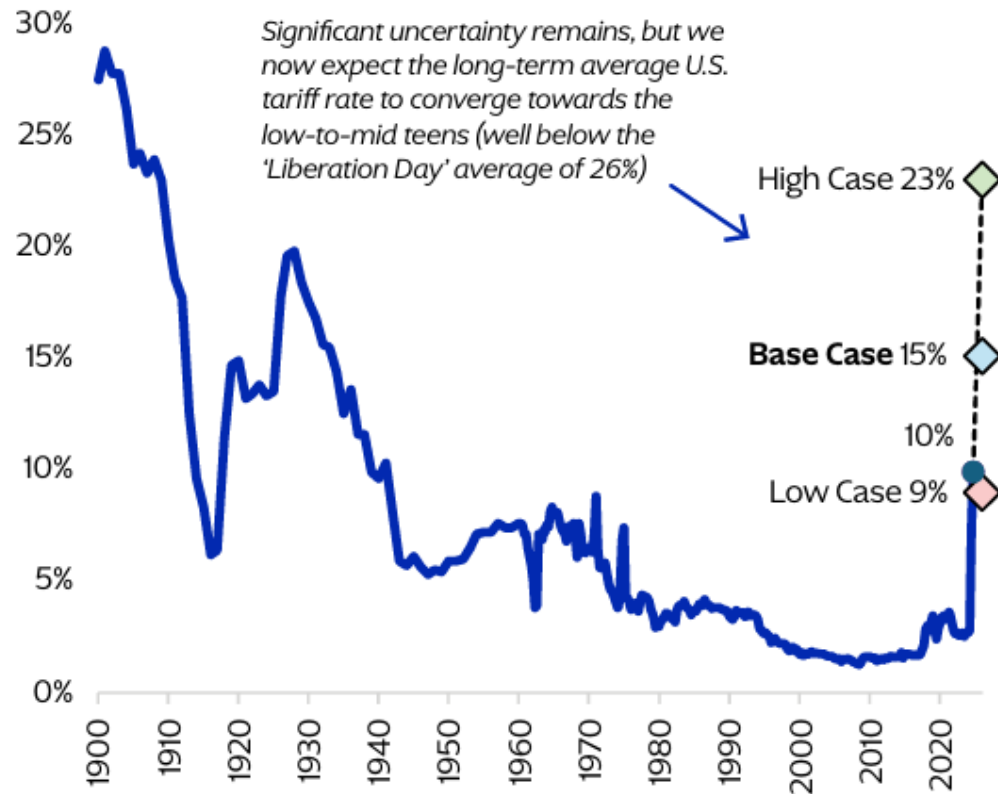


Sources: New York Life Investments Global Market Strategy, Bankrate, Macrobond, as of 11/30/2025

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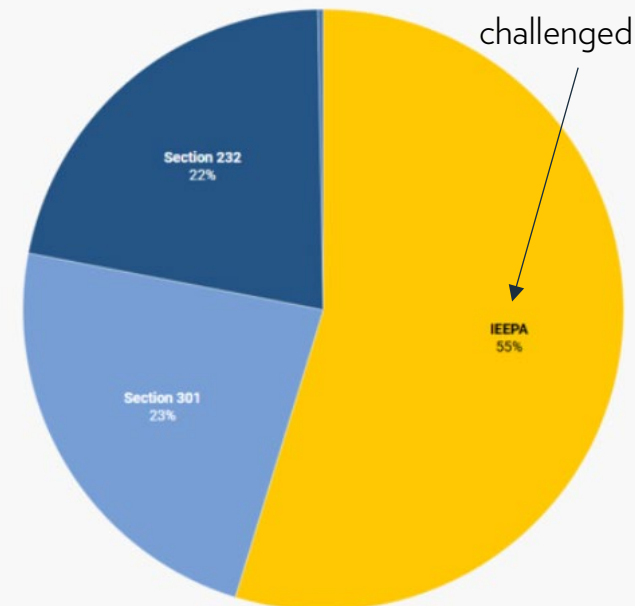
## Tariffs – Supreme Court Decision Imminent

### U.S. Effective Tariff Rate, %



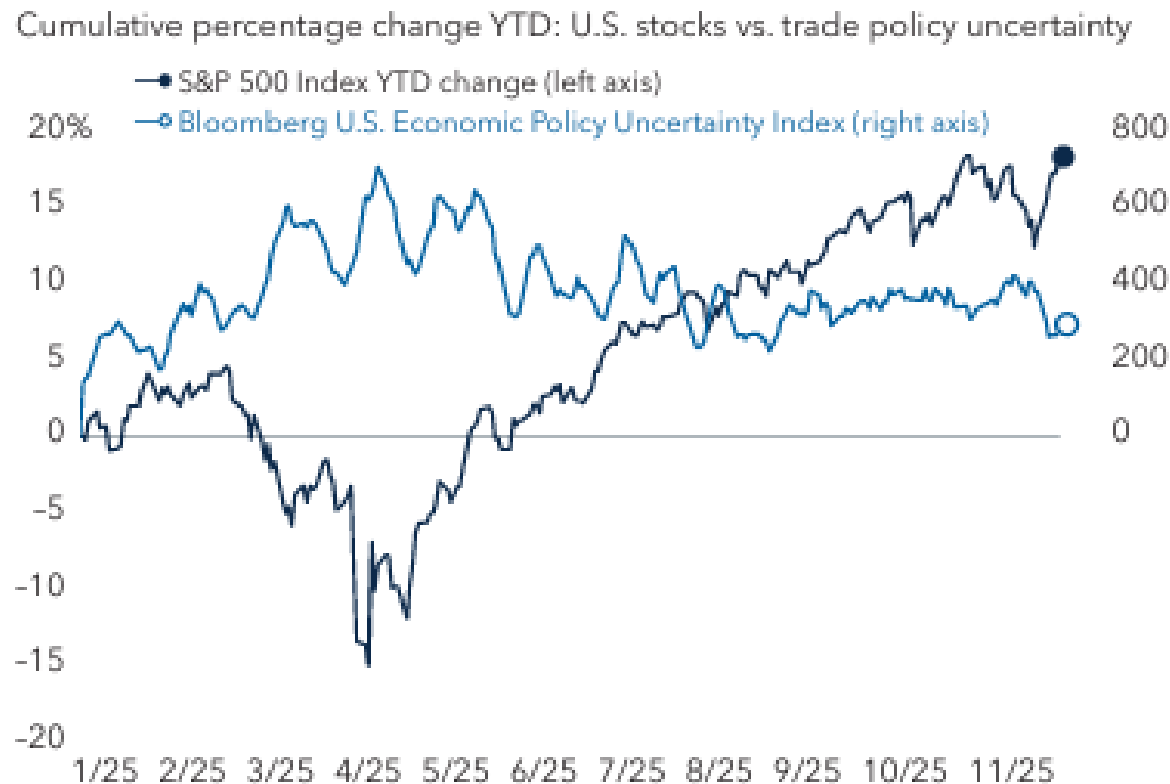
### More than Half of FY 2025 Tariff Revenue is from IEEPA Tariffs

IEEPA Section 301 Section 232 Section 201



Sources: KKR Global Macro & Asset Allocation analysis, Tax Foundation as of 12/08/2025

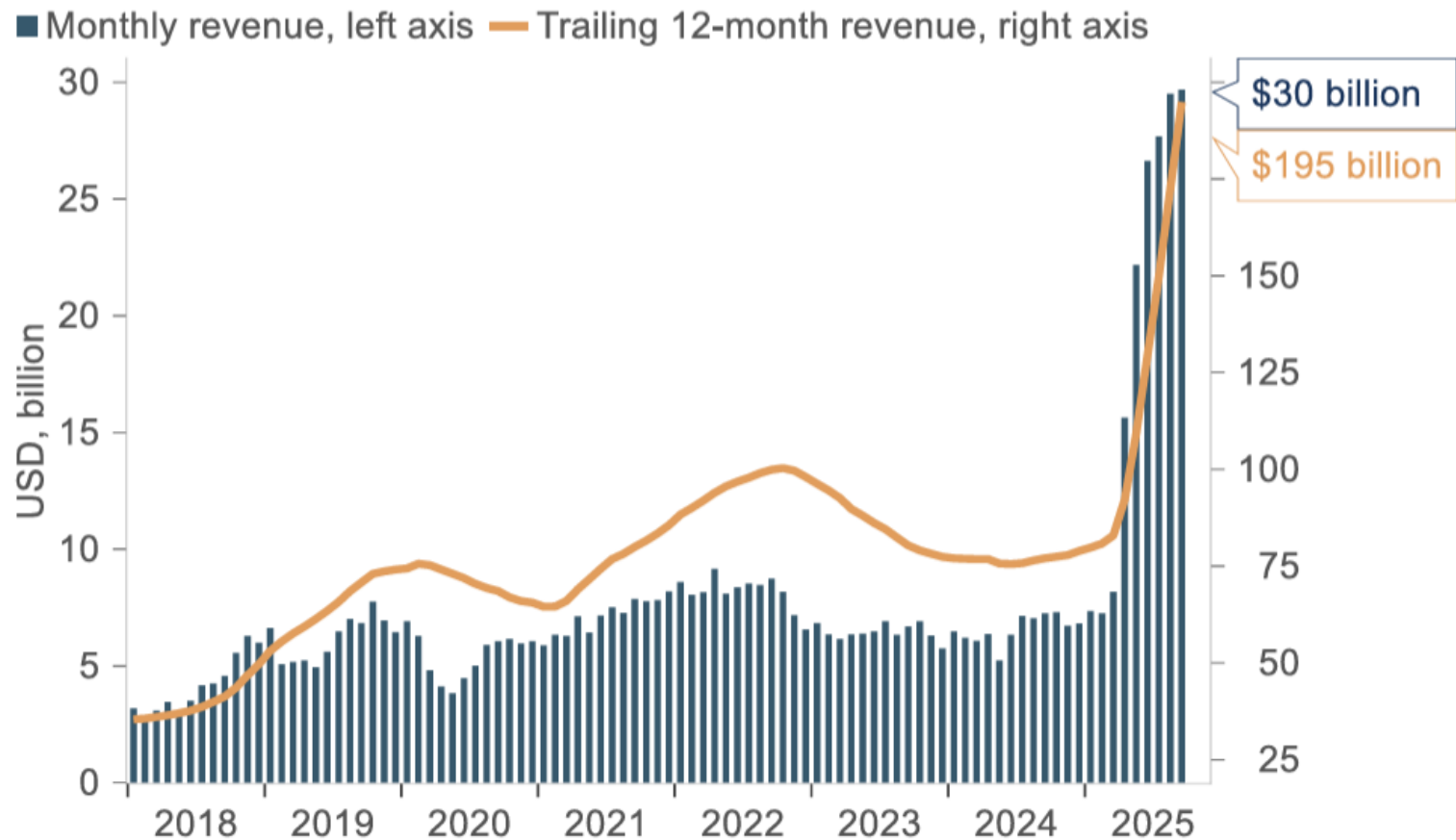
## Trade Policy – From Uncertain To More Certain



Sources: Capital Group, Bloomberg, RIMES, Standard & Poor's, as of 11/30/2025

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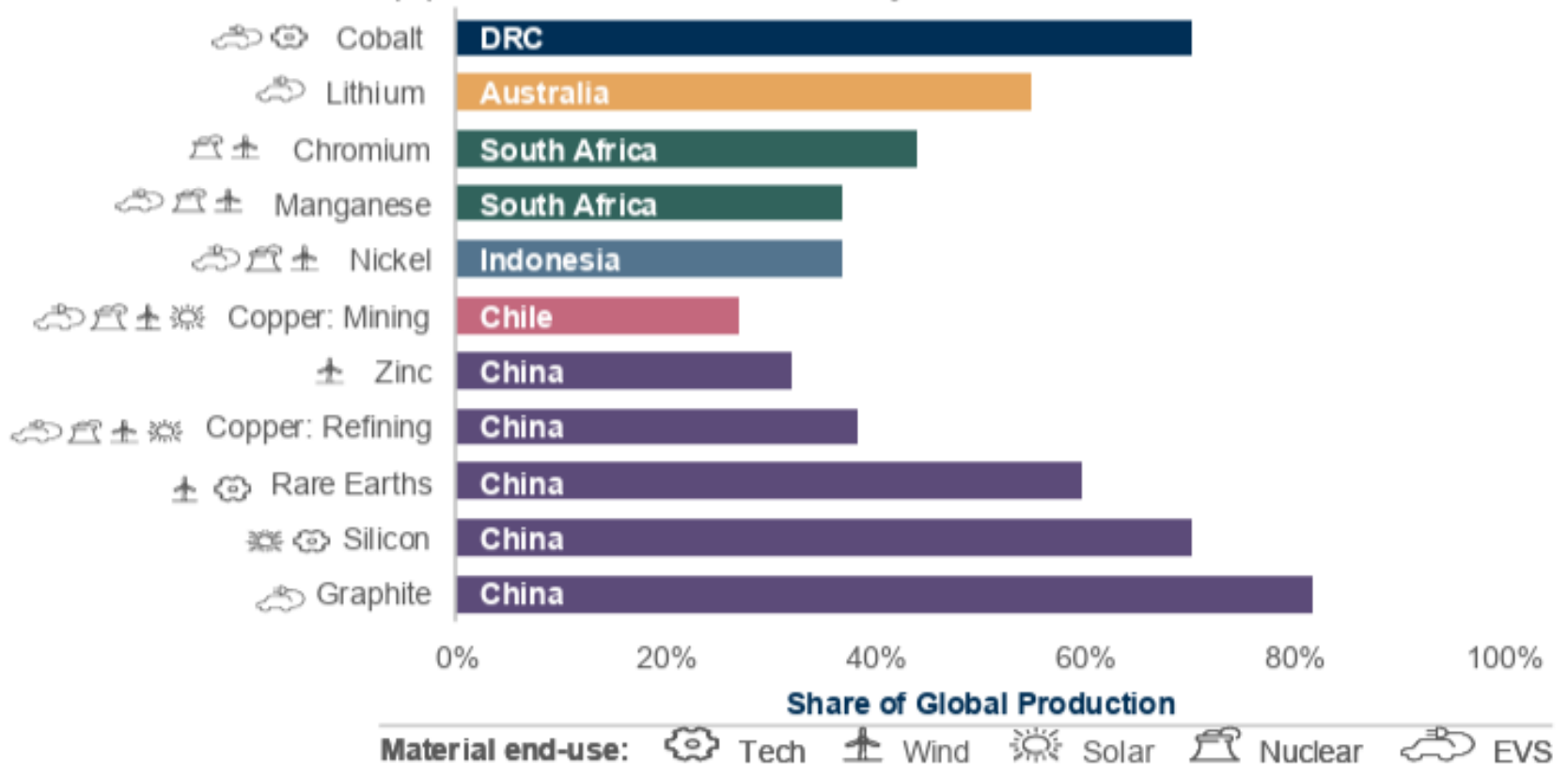
## Tariffs – New Income Source



Sources: New York Life Investments Global Market Strategy, U.S. Department of Treasury, Macrobond, as of 11/30/2025

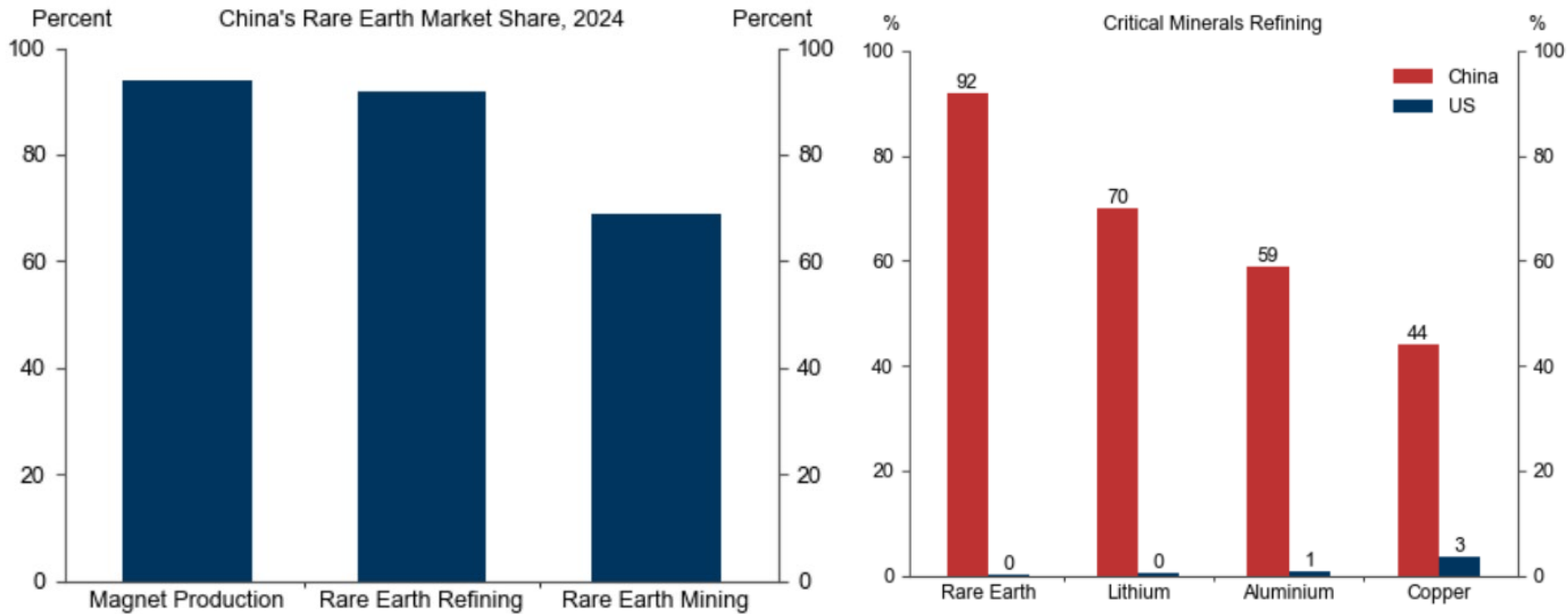
## Resource Security – Key Materials

Share of raw materials: top producer for each commodity



Sources: New York Life Investments Global Market Strategy, U.S. Geological Survey, International Energy Agency, as of 12/31/2021

## Resource Security – Rare Earth Minerals



Sources: USGS, IEA, Goldman Sachs Global Investment Research, as of 12/18/2025

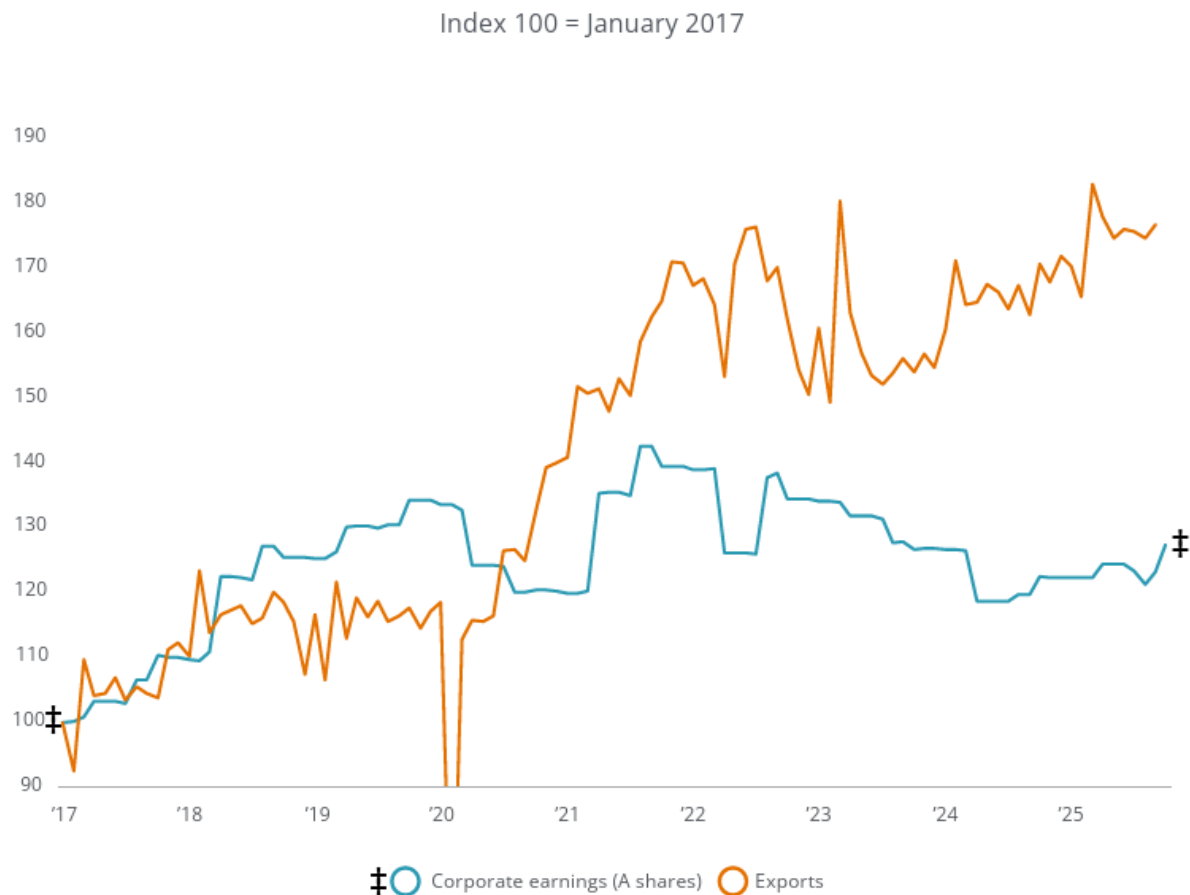
## U.S./China Trade – Diversifying Away The Risk...



Sources: International Monetary Fund, Haver Analytics, as of 12/31/2024

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## China – Exporting Deflation, Selling More For Less

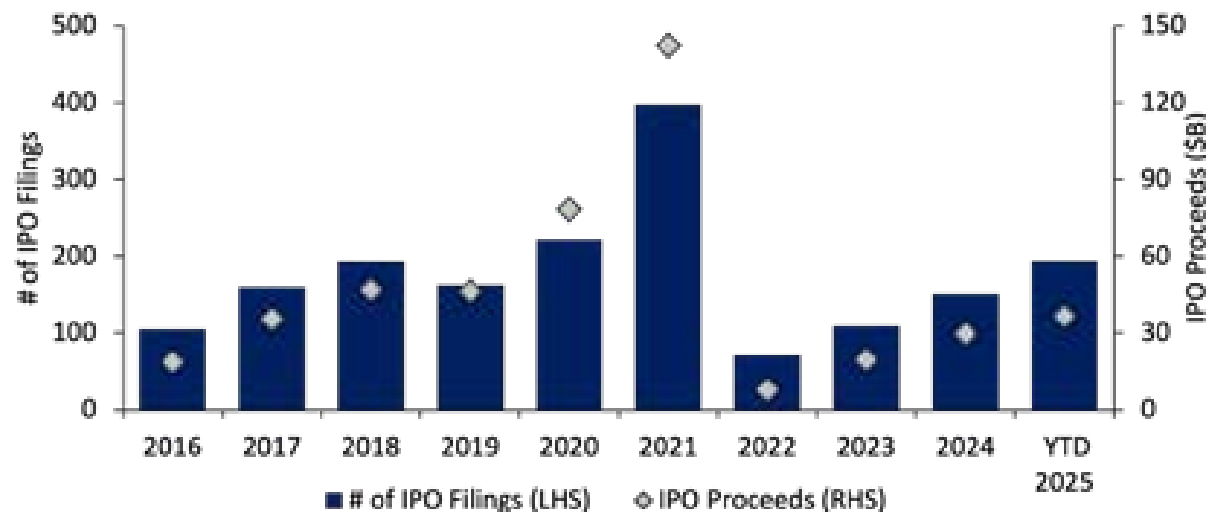


Sources: Michael Cembalest, J.P. Morgan Asset Management, China General Administration of Customs, Haver Analytics, Bloomberg Finance L.P., as of 10/31/2025



## Deregulation – IPO's Picking Up Steam

U.S. IPO Filings and Proceeds, by Year (Minimum \$50M Market Cap)

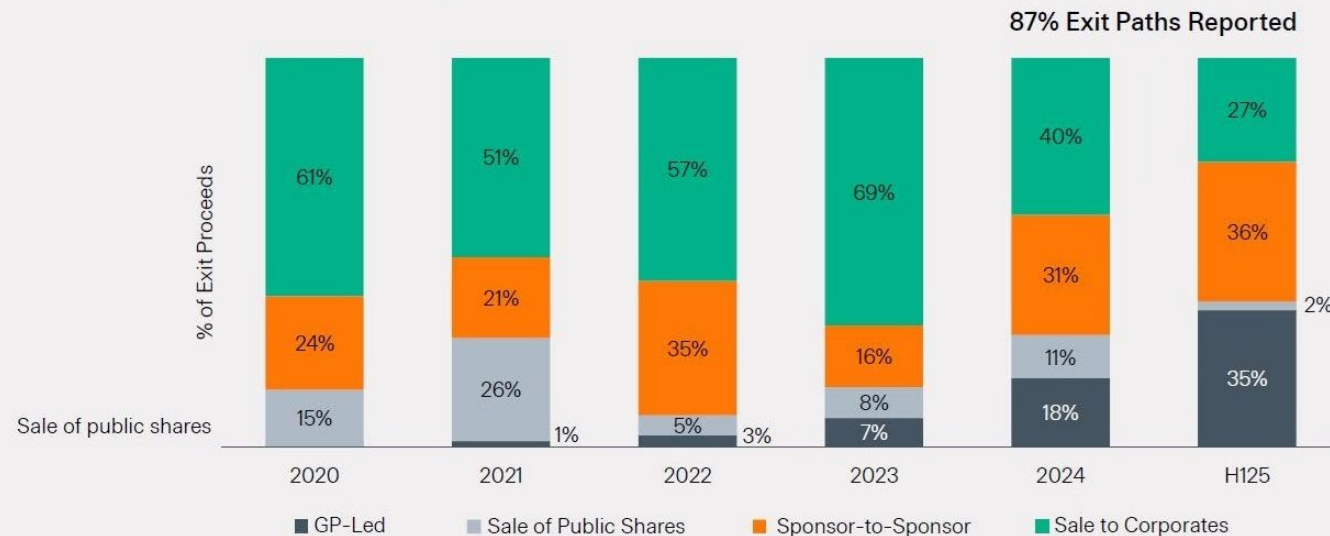


Sources: Renaissance Capital, Lord Abbett, as of 11/25/2025

## Deregulation – Private Equity Needs Public Money, More IPOs

### How have buyouts been exiting?

Private market distributions have declined from 27% to 12% from 2021 to 2025



Source: StepStone, as of 06/30/2025

## Deregulation – Mergers and Acquisitions Picking Up Steam



Source: Goldman Sachs, as of 12/31/2025

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## Midterm Election – Divided Government?

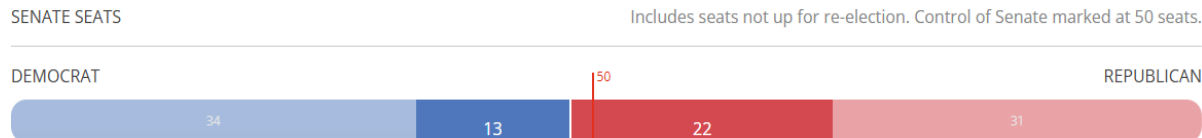
*Every seat in the House, plus 33 seats in the Senate, are up for grabs.*

### RATINGS SUMMARY



- **Solid:** These races are not considered competitive and are not likely to become closely contested.
- **Likely:** These races are not considered competitive at this point but have the potential to become engaged.
- **Lean:** These races are considered competitive races, but one party has an advantage.
- **Toss Up:** These races are the most competitive; either party has a good chance of winning.

### RATINGS SUMMARY



There are currently 45 Democrats, 53 Republicans and 2 Independents in the Senate. The 2 independents caucus with the Democrats.

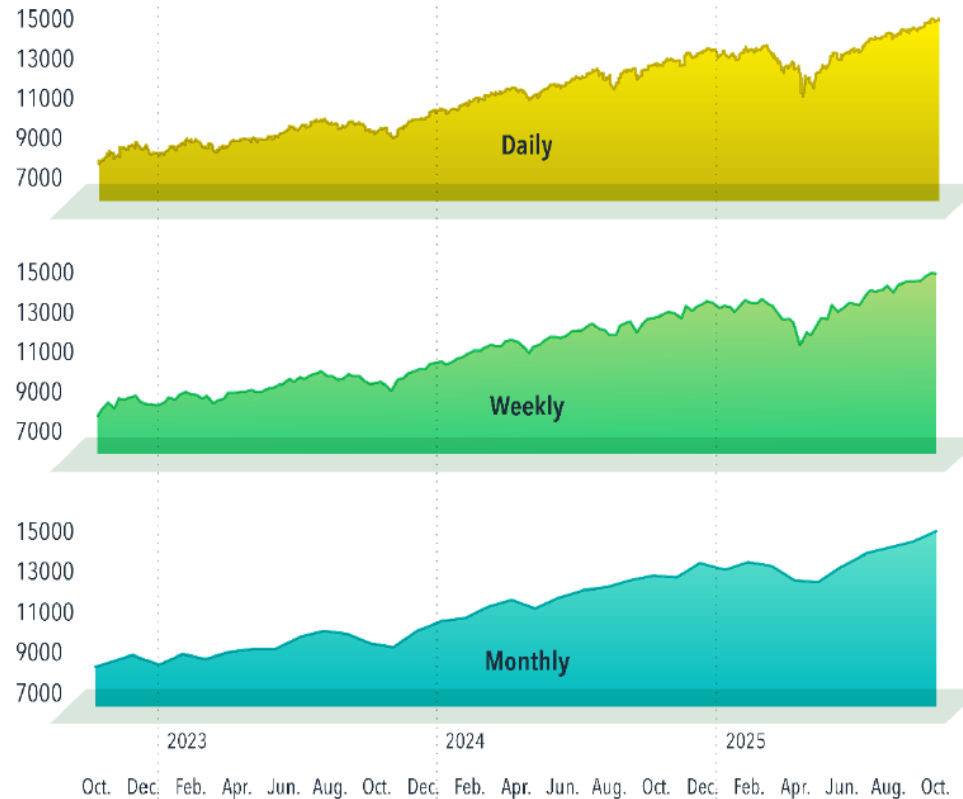
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- **Toss Up:** These races are the most competitive; either party has a good chance of winning.

Source: Ballotpedia.org, as of 01/01/2026

## Measure Less And You'll Smile More

### S&P 500 TOTAL RETURN INDEX LEVEL

For the 3-year period ending September 30, 2025



Sources: Dimensional Funds, S&P Global, as of 12/31/2025

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## Disclaimer

- The ticker symbols used are for illustrative purposes only, do not constitute a recommendation, and should not be treated as such. Please consult your financial professional for investment recommendations based on your particular investment objectives, risk tolerance, and time horizon.
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