Chris Hyzy: This is Chris Hyzy, Chief Investment Officer for the viewpoint for January titled "One Clap Four Times." As we begin 2026, we look back to project forward. 2025 was not particularly a volatile year across the capital markets except for the tariff turmoil episode earlier in the year and artificial intelligence spending worries later in the year.

Equity markets worldwide generally applauded increased fiscal spending and solid profits growth which drove many indexes to new highs. Fixed income markets were somewhat tame except for longer-term sovereign bonds overseas and the U.S. dollar trended on the weak side while oil prices proved deflationary.

Looking back, it was a very good year all things considered. What's in store for 2026? In our view, an extension of 2025 to a certain degree but given premium valuations in U.S. equity markets, we expect more of a proud bull market that simply tracks earnings growth rather than another stampeding one that includes additional price to earnings multiple expansion.

This year, we believe investors are likely to call for one clap for four separate catalysts. One clap for another year of well-above average capital spending, another clap for double-digit earnings growth for the S&P 500, and two final claps for significant productivity gains and resilient consumer spending led by the boomers again. One clap four times is our base case which should drive the S&P 500 to another record high. Within this scenario, we expect a continuation of the broadening out across equity markets, a more diversified mixture of sectors leading the way, and emerging markets punching above their weight once again.

The additional positive momentum force we expect throughout 2026 that was missing in 2025 is business activity and deal flow across sectors. Improving growth, productivity gains, benefits from the new fiscal bill, a lower rate structure, and potential deregulation should all create a flywheel effect in business activity for 2026 in our opinion.

To begin this year, the GWIM ISA, known as the Global Wealth and Investment Management Investment Strategy Committee, raised healthcare to a market weight from an underweight and reduced real estate to an underweight from market weight. Additionally, we raised emerging markets to an overweight from neutral while lowering U.S. large-cap value and international developed markets exposure slightly. Our overall equity overweight and fixed income underweight remains for this year following on last year.

Our top 10 viewpoints and expectations for 2026 support our equity overweight in the U.S. and emerging markets across our portfolios as we begin 2026. Number one, economic and profit growth surprises to the upside in the U.S. and worldwide, propelling much higher nominal growth than expected. Two, equity market performance matches earnings growth, but premium valuations are vulnerable to any growth shock should that come. Three, 10-year U.S. Treasury yields remain locked in a range between 4% and 4.5% for much of this year. Four, gold and silver prices remain in an uptrend as fiscal deficits remain wide and industrial usage rises. Five, business activity ramps up and surprises to the upside supporting financials, small and mid-cap shares. Six, U.S. dollar should be slightly weaker once again on a relative basis. Seven, capital investment in digital infrastructure remains robust, supporting the artificial intelligence build out. Eight, midterm election years tend to include higher than average volatility, but these also tend to be buying opportunities in equities. Nine, emerging markets continue their outperformance in worldwide equity indices and 10, job growth remains a mix back, which keeps the Fed leaning toward cutting rates a couple of times this year.

We remain equity overweight relative to fixed income across all portfolios with an additional now movement up in emerging markets matching our U.S. equity overweight overall.

That'll do it for today. Thanks for listening.

Operator: Please see important information provided in this report.

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