



# Market Commentary

Weekly perspective on current market sentiment

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Last week's S&P 500 Index: +1.6%

## 2026 flashing green for investors

### Key takeaways

- The U.S. economy exited 2025 on firm footing, and the latest data suggest most economic indicators are flashing “green” for broadening growth across sectors as we step into the new year.
- It's unlikely the market will enjoy smooth sailing throughout 2026, but we think investors who stay focused on big-picture themes we believe will be rewarded over the long term.

With the first full trading week of 2026 under our belt, there has been little reason for the stock market to take much of a breather. Despite an ongoing barrage of geopolitical and policy headlines persisting into the new year, the U.S. economy's resilience appears undeniable to us as we digest the latest data.

For those who may have missed it during holiday celebrations last month, the U.S. Commerce Department estimated third-quarter U.S. gross domestic product (GDP) growth of 4.3% — a full percentage point above consensus expectations. For context, this reading was roughly two percentage points above the long-term average since the World War II period. Strength was driven by the consumer, ongoing investment spending tied to automation and artificial intelligence (AI), and a narrowing trade balance. Perhaps more importantly, the latest batch of data suggest most economic indicators are flashing “green” as we move into the new year.

Business surveys for December maintained momentum, with the usual strength centered on services. Housing activity showed improvement through the fall based on existing and new home sales, and oil prices remain subdued. Notably, the U.S. consumer was active during the holiday shopping season despite apparent “Grinch-like” moods suggested by recent University of Michigan consumer sentiment surveys. The National Retail Federation reported strong 4.1% year-over-year (YoY) sales gain in the full November-December period, while weekly YoY same-store sales for brick-and-mortar stores (Johnson Redbook Index) grew last month at a pace not observed since the end of 2022. Even big-ticket purchases got in on the act as Wards total vehicle sales picked up in December. Other signals of strong discretionary spending: Momentum in dining out carried into the early part of 2026 (OpenTable's seated diners), and 78% of travel advisors are optimistic about bookings in 2026 based on a recent industry survey after 2025 was a “banner year.”<sup>1</sup>

Admittedly, the economy is not yet firing on *all* cylinders. Manufacturing remains weak, lower-income households and small businesses face lingering headwinds, and the labor market continues to soften for a variety of reasons. Still, these factors are among the reasons the Federal Reserve (Fed) has been able to reduce short-term interest rates, which take time to flow through the financial system. As more households and productive sectors play a role in pushing the economy ahead, we anticipate notably broader earnings growth and equity-market sector participation, even as fixed-income investors may need to focus more on investment grade maturities between 3 and 7 years than on much longer-dated bonds and money-market funds.

Besides Fed funds rate cuts (we expect two more this year), we are focused on other positive forces we see propelling U.S. growth through 2026: tax cuts, broadening investment spending, cost savings from deregulation, and accelerated productivity gains tied to greater AI adoption. Bottom line: News headlines may resume their swirl, but stay focused on big-picture investment themes. For now, we believe “all systems go.”

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1. TravelAge West, January 8, 2026.

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