WEEK OF JANUARY 26, 2026

Market Navigator

Equity markets were marginally lower last week. After a Tuesday sell-off sparked by geopolitical concerns, markets made their way higher over the rest of the week. Fixed income markets were mixed, with Treasury yields rising slightly.

Quick Hits

1. **Beyond the headlines:** How does the market view the U.S. economy?
2. **Report releases:** Data continued to show a growing economy on solid footing.
3. **Financial market data**: Major equity indices were marginally lower, with Treasury yields moving slightly higher.
4. **Looking ahead:** This week we expect more fourth-quarter earnings reports and the Federal Open Market Committee (FOMC) meeting.

LIFETIME Asset Management

Beyond the Headlines: How Does the Market View the U.S. Economy?

Economic data remains mixed. There is plenty of good news: GDP growth remains strong, consumer spending remains robust, and consumer sentiment is improving. Conversely, some data points to concern about the path forward. The labor market is softening, highlighted by fewer jobs being created and an unemployment rate that has risen off the bottom. Manufacturing data has been mixed, and inflation remains sticky. Near-term risks clearly remain.

Does the Market Share That View?

In 2025, for the third consecutive year, the S&P 500 posted strong returns, powered by growth sectors and enthusiasm around artificial intelligence investment. Communication services and technology sectors were the best performing areas of the market last year. The only other sector that outperformed the index was industrials, however, leaving eight sectors that underperformed the headline return.

Over the past six months, health care has been the best-performing asset class, followed by energy and technology. In the first three weeks of 2026, that trend has accelerated. Seven sectors have outperformed the index, and neither communication services nor technology are in that group. Energy, materials, industrials, and consumer staples and discretionary have fared best over that period.

Similar trends can be seen when looking at asset classes. In 2025, large-cap growth was the best-performing area of the U.S. market, followed by large-cap value. Over the last three months of 2025, however, there was a noticeable rotation to value across market capitalizations. Large-cap value outperformed large-cap growth; mid-cap value and small-cap value also outperformed large-cap growth.

In January, small-cap stocks have been the market leader by a comfortable margin. Small-cap value and small-cap growth have outperformed their large-cap counterparts. Mid-caps, though not as strong as small-caps, has also outperformed large-caps.

As seen through the lens of this rotation, the market seems to have a positive view of future U.S. economic growth. There is a reasonable explanation for that view. The economy has been quite resilient despite the headline risks it has faced. And the One Big Beautiful Bill Act provides some economic stimulus, starting with tax refund season, which is here.

A broadening market is a good sign for market health—and for investors.

What Does It Mean for Portfolio Allocations?

A broadening market is a good sign for market health—and for investors. Although well-documented risks exist, an accelerating economy would be positive for corporate earnings growth. That should support markets moving forward.

The best aspect for portfolio construction is that diversification should help manage unknown risks as well as participate in the upside if the market is correct about better future economic growth. Now is a good time to look under the hood and see how portfolios are allocated relative to the view the market seems to be gravitating toward.

Report Releases: January 20–23, 2026

Personal Spending and Personal Income
November
(Thursday)

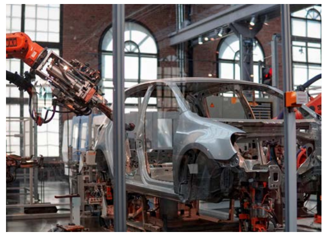
Personal spending growth in November was in line with economist estimates; however, income growth slowed notably during the month.

- Expected/prior personal income monthly change: +0.4%/+0.4%
- Actual personal income change: +0.1%
- Expected/prior personal spending monthly change: +0.5%/+0.5%
- Actual personal spending change: +0.5%

S&P Global US Composite PMI
January
(Friday)

The S&P Global US Composite PMI was slightly below expectations but showed marginal improvement from the previous month.

- Expected/prior monthly US Composite PMI: 53.2/52.7
- Actual monthly US Composite PMI: 52.8



>> The Takeaway

- Although personal income growth slowed, spending remained robust.
- With a slight improvement in the S&P Global US Composite PMI, the economy exhibited continued growth.

Financial Market Data

Equity

U.S. equity markets were down slightly across the board. Strength continued to be seen in value-oriented sectors such as energy and materials, which rose 3.1 percent and 2.5 percent, respectively. Underperforming sectors included financials, real estate, and utilities; each fell roughly 2 percent. International markets were higher.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	−0.34%	1.08%	1.08%	14.46%
Nasdaq Composite	−0.06%	1.13%	1.13%	17.98%
DJIA	−0.50%	2.23%	2.23%	12.09%
MSCI EAFE	0.14%	3.62%	3.62%	32.19%
MSCI Emerging Markets	1.09%	6.94%	6.94%	42.64%
Russell 2000	−0.32%	7.62%	7.62%	16.93%

Source: Bloomberg, as of January 23, 2026

Fixed Income

Fixed income markets were mixed. Rates moved up sharply on Tuesday but drifted down to end the week modestly higher. 10-year Treasury yields ended at 4.23 percent, up 6 basis points (bps).

Index	Week-to-Date	Month-to-Date	Year-to-Date
U.S. Broad Market	0.07%	0.08%	0.08%
U.S. Treasury	0.06%	−0.10%	−0.10%
U.S. Mortgages	−0.04%	0.22%	0.22%
Municipal Bond	−0.28%	0.64%	0.64%

Source: Bloomberg, as of January 23, 2026

>> The Takeaway

- Equity markets were down slightly.
- Bonds were mixed. Yields continued to move higher.

Looking Ahead

This week will be highlighted by several high-profile corporate earnings reports from so-called Magnificent Seven companies and the January FOMC meeting.

- The week kicks off Tuesday with the **Conference Board Consumer Confidence Index** for January. It's expected that confidence will improve, which would be the first increase for the index since July 2025.
- On Wednesday, the **FOMC** is expected to keep interest rates unchanged after its meeting.
- The **Producer Price Index** for December is anticipated on Friday. Headline and core prices are expected to increase.
- Throughout the week, we'll receive fourth-quarter earnings reports from **Microsoft, Meta Platforms, Tesla, and Apple.**

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