

MONTHLY INVESTMENT OUTLOOK | JANUARY 2026

KEY POINTS

2025 was a strong year for global equities, with most asset classes posting gains. Bonds delivered solid returns, while gold surged 64%. International equities outperformed U.S. equities as the U.S. dollar declined 9% during the year. Markets were supported by solid earnings growth of 12% and resilient global economic growth despite concerns around higher tariffs. Bond yields declined as the Federal Reserve resumed rate cuts. The 2-year Treasury yield fell 77 basis points and the 10-year Treasury yield declined 40 basis points, resulting in a steeper yield curve.

DIVERSIFICATION - AMPLIFIED RETURNS AND LOWER VOLATILITY: Diversification was a key driver of strong client portfolio performance in 2025, both dampening volatility and significantly enhancing returns. Gold and silver reached all-time highs, gaining 64% and 148%, respectively. Few firms have had a 10% allocation to metals like Central Trust. International stocks outperformed U.S. equities by 13% to 14%, while emerging market debt delivered roughly double the return of the U.S. bond index. Alternatives outperformed investment-grade bonds. All five asset classes, stocks, bonds, real assets, alternatives, and cash, generated positive returns, underscoring the value of diversified portfolios.

2026 OUTLOOK - U.S. & GLOBAL ECONOMY RESILIENT: The U.S. economy enters 2026 in a resilient position despite changes in tariffs, immigration, and tax policy. U.S. real GDP growth is expected to range from 2.0% to 2.6%, indicating a low risk of recession. Inflation is projected to decline from 2.7% to 2.4% on the CPI as tariff pass-through effects fade, price increases moderate, and lower oil prices provide relief to consumers. Global growth is expected to be approximately 2.7% in 2026.

MONETARY POLICY: The Federal Reserve cut interest rates by 75 basis points in 2025, with yields declining across most of the curve except the 30-year Treasury. The unemployment rate stands at 4.4% and is expected to remain under 5%. With easing inflation and softer labor markets, expectations are for the Fed Funds rate to decline to approximately 3.0% to 3.25% from the current 3.50% to 3.75%. A new Fed Chair is expected to take office mid-year, and markets anticipate the new Chair to support a more accommodative policy stance.

FISCAL POLICY: Fiscal policy remains stimulative in the U.S. and abroad, driven by continued deficit spending. Provisions within the OBBB are expected to increase cash flows for individuals early in the year through tax refunds and for corporations in 2026 through 100% expensing of capital expenditures. These measures are expected to provide additional support to economic activity in the first half of 2026.

EQUITY MARKETS: The macro environment with forecasts of continued earnings growth, robust AI spending and fiscal/monetary stimulus implies a friendly backdrop for global equities entering 2026. Equity market leadership has broadened, reinforcing the benefits of diversification across sectors, factors, and regions. Volatility may remain elevated due to the tension between favorable economic conditions and stretched valuations. With the current bull market now over three years old and above the post-World War II average, return expectations should be moderated.

ASSET ALLOCATION – STAYING GLOBALLY DIVERSIFIED: We continue to emphasize staying invested in a diversified portfolio aligned with long-term goals. Central Trust builds portfolios across five major asset classes to enhance returns and reduce volatility. Key risks include trade tensions, elevated global debt, and geopolitical conflict. We favor balanced positioning with a quality tilt and active management. Risks related to fiscal dominance and a weaker dollar underscore the importance of inflation hedges such as TIPS, commodities, and gold. Gold and alternatives further strengthen portfolios by reducing volatility and enhancing returns.

KEY TAKEAWAYS FOR INVESTORS:

- Global diversification dampened portfolio volatility and enhanced returns in 2025 across international equities, bonds, gold and silver, and alternatives. Broadening equity markets reinforce the case for diversification, with bonds providing balance.
- The macro backdrop remains supportive for equities in 2026, with stronger U.S. growth and easing inflation.
- Reaching long-term investment goals depends on diversification, balanced asset allocation, and a continued focus on the long-term horizon.

SUCCESSFUL INVESTMENT PRINCIPLES: FOCUS ON THE LONG GAME

Successful investors maximize the odds of success by focusing on the long term and maintaining a long-term investment plan based on their goals. Studies show individual investors significantly underperform the broad stock market. Individuals are more likely to be driven by emotions that lead to reducing equity and risk assets after market declines during times of volatility.

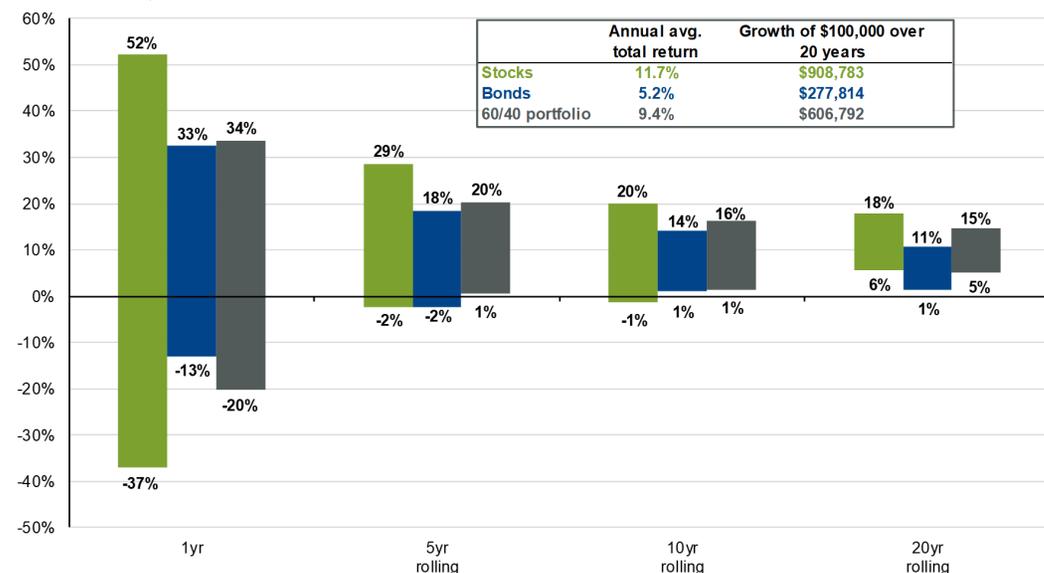
By taking a multi-year view, investors stack the odds in their favor of achieving investment success and achieving their goals. As can be seen in the chart below, over any one-year period the annual return for the S&P 500 can be volatile with returns from -37% to +52% since 1950. Over any 5-year period, the range shrinks -2% to +29%. Most importantly, there has never been a twenty-year period since 1950 where equities have experienced losses, as returns ranged from +6% to 18% per year for the S&P 500.

For balanced accounts, data shows that there has never been a rolling 5-, 10-, or 20-year period where a simple 60/40 portfolio of stocks and bonds had a negative return. Overall, from 1950 to 2025, a 60/40 portfolio compounded 9.4% per year. The lesson here is that the more time you have and the more diverse your portfolio, the less risk there tends to be and, lastly, to focus on the long term to achieve your goals.

TIME, DIVERSIFICATION, AND THE VOLATILITY OF RETURNS

Range of stock, bond and blended total returns

Annual total returns, 1950 - 2025



Source: JP Morgan

ECONOMIC DATA

- Global growth continues to be resilient, and revisions have edged higher. For 2025, growth estimates rose as the year progressed with growth increasing for the U.S. to 2.0% and global growth to 2.7%. For 2026, consensus estimates have edged higher, with U.S. growth projected at 2.1% and global growth at 2.6%.
- S&P 500 earnings were \$208 (+48%) in 2021, \$219 (+5%) in 2022, \$220 (+1%) in 2023, and \$243 (+10%) in 2024 (FactSet). For 2025, analysts have revised estimates higher to \$271 with earnings growth of 12.3% and revenue growth of 7.0%. For 2026, earnings estimates have increased to \$309, which represents projected growth of 15% and revenue growth of 7.2%.
- Valuations continue to be above the long-term historical averages.
- The trailing 12-month operating price-earnings ratio is 25.4 times operating earnings compared to the 5-year average of 25.1x, the 10-year average of 22.8x, and the 50-year average of 14.2 times earnings.
- The forward operating price-earnings ratio is 22.3 times earnings, which is above the 5-year historical average of 20.0x, above the 10-year average of 18.7x, and the 30-year average of 17.1 times earnings.

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MARKET RECAP (AS OF DECEMBER 31, 2025)

- In 2025, investment gains were broad-based within equities and across major asset classes. Stocks outperformed bonds by 13% on a global basis. Gold and metals outperformed all asset classes.
- The S&P 500 gained 17.9% in 2025, marking a third consecutive strong year. International developed and emerging market equities outperformed the U.S., returning 32.2% and 31.4%, respectively, supported in part by a 9% decline in the dollar. Growth outperformed value by 4.8%.
- The Bloomberg U.S. Aggregate Bond index gained 7.3% in 2025 as yields continued to move lower on signs of a softening labor market and the resumption of rate cuts.
- Credit performed well after April, with floating-rate bank loans up 5.9% and emerging market debt gaining 14.3%.
- Gold rose 64% to all-time highs, outperforming stocks and bonds. Silver and platinum posted even stronger gains of 148% and 121%, while oil declined 15% and settled below \$60.
- Alternatives: Overall, fixed income substitutes and unconstrained alternatives had solid gains matching or exceeding nominal bond returns.

Period Ending December 31, 2025

Source: Bloomberg.

Past performance is not indicative of future results.

Asset Class	Index	Trailing Performance (annualized for periods > 1 year)					
		MTD	YTD	1Y	3Y	5Y	10Y
EQUITIES							
Benchmark	MSCI All Country World IMI	1.0	22.1	22.1	20.0	10.7	11.4
Large Cap	S&P 500	0.1	17.9	17.9	23.0	14.4	14.8
Long-Short	[50% S&P 500, 50% ICE 0-3m T-Bill]	0.2	11.1	11.1	13.9	8.8	8.5
Small/Mid Cap	Russell 2500	0.1	11.9	11.9	13.7	7.2	10.4
International	MSCI World Ex US IMI (net)	2.9	32.2	32.2	17.4	9.0	8.5
Emerging Markets	MSCI Emerging Markets IMI (net)	2.7	31.4	31.4	16.3	4.7	8.4
FIXED INCOME							
Benchmark	FTSE World Broad Investment Grade	0.2	8.8	8.8	4.5	(2.2)	1.2
U.S. Aggregate	Barclays US Aggregate	(0.1)	7.3	7.3	4.7	(0.4)	2.0
U.S. TIPS	Bloomberg US TIPS	(0.4)	7.0	7.0	4.2	1.1	3.1
Tax Exempt	S&P Municipal Bond Index	0.2	4.3	4.3	4.1	1.1	2.4
U.S. Corp High Yield	Bloomberg US Corporate High Yield	0.6	8.6	8.6	10.1	4.5	6.5
U.S. Floating Rate	S&P/LSTA Leveraged Loan	0.7	5.9	5.9	9.4	6.4	5.8
International	FTSE Non USD WGBI	0.5	8.5	8.5	2.8	(5.2)	(0.2)
Emerging Markets	JPM Emerging Markets	0.7	14.3	14.3	10.6	1.8	4.4
REAL ASSETS							
Benchmark	Gold	2.0	64.4	64.4	33.5	18.0	15.1
Inflation	Consumer Price Index (CPI)	0.2	2.3	2.3	2.9	4.4	3.2
Commodities	Bloomberg Commodities	(0.3)	15.8	15.8	4.0	10.6	5.7
ALTERNATIVES							
Benchmark	[20% S&P 500, 80% ICE 0-3m T-Bill]	0.3	7.0	7.0	8.5	5.5	4.7
Multi-Strategy	Credit Suisse Multi-Strategy I		7.9	7.9	8.2	6.5	5.5
Global Macro	Credit Suisse Global Macro Ind		9.8	9.8	3.2	6.9	5.7
Managed Futures	Credit Suisse Managed Futures Ind		0.6	0.6	0.2	5.3	2.6