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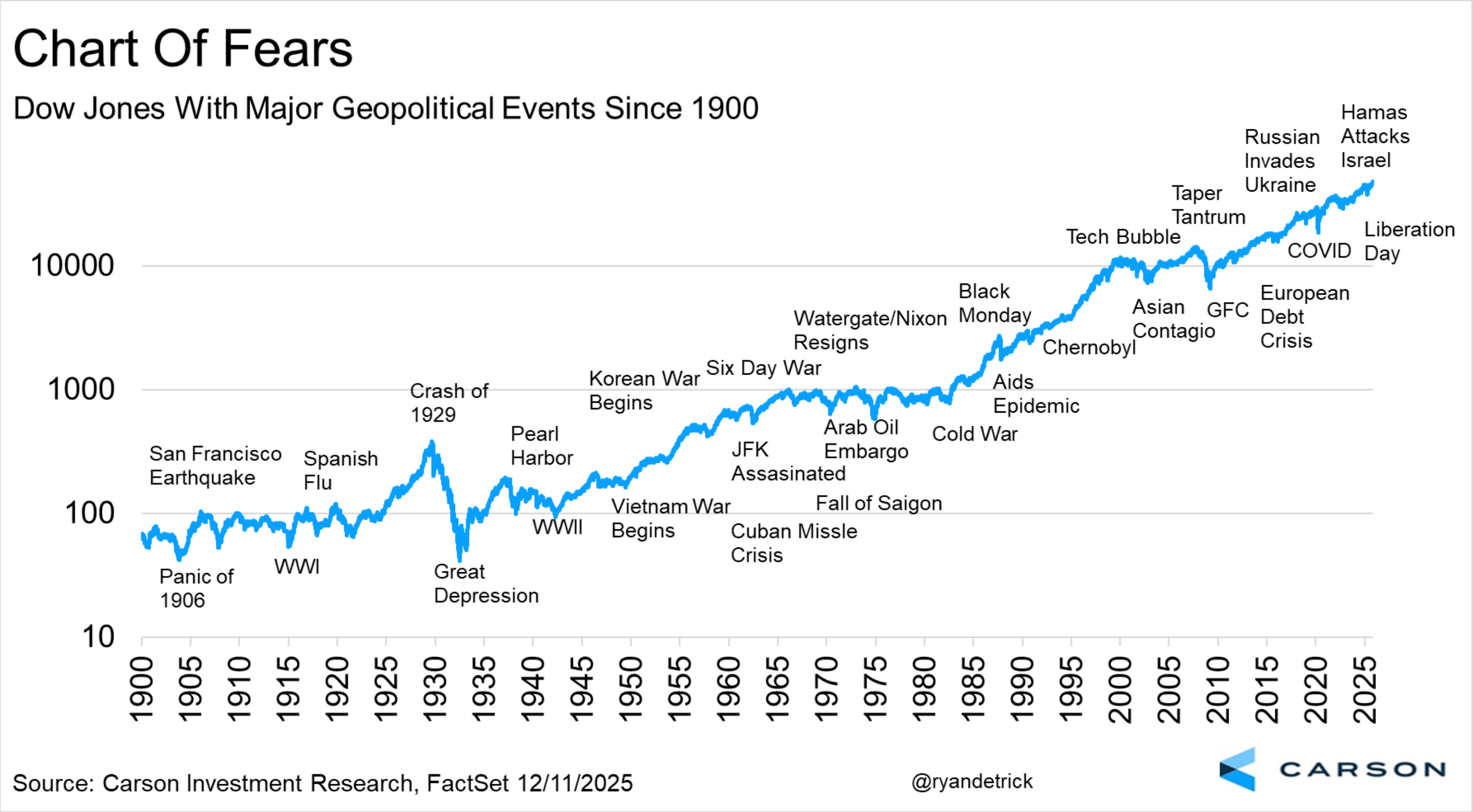
Market Outlook 2026

RIDING THE WAVE

Ryan Detrick, CMT

Chief Market Strategist

2026 Will Have Scary Headlines, Just Like The Rest

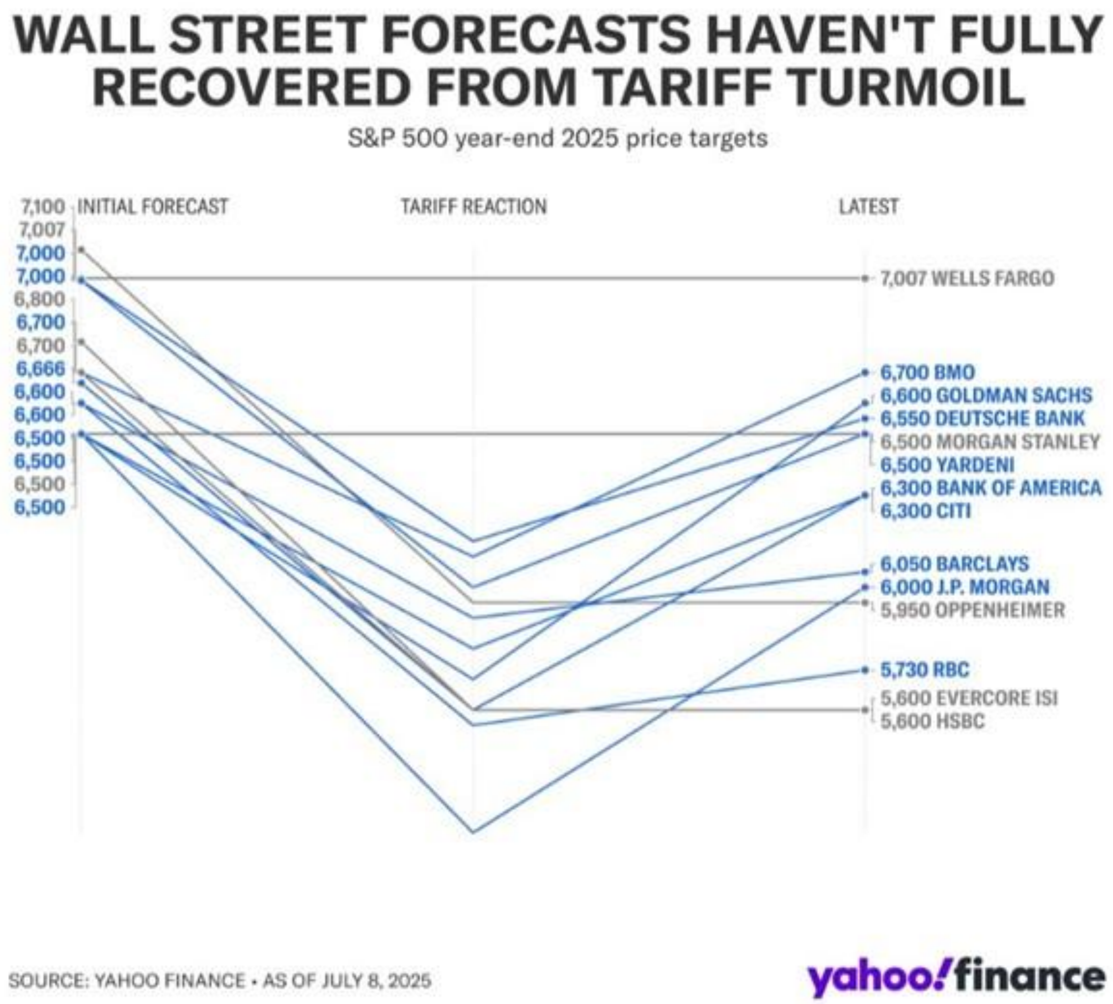


The Bull Was Back In 2025, Which Reminds Me Of A Joke


I’m making a movie about composers. I’m playing Beethoven
I’ll be Mozart!

The Bull Was Back (er Bach) In 2025

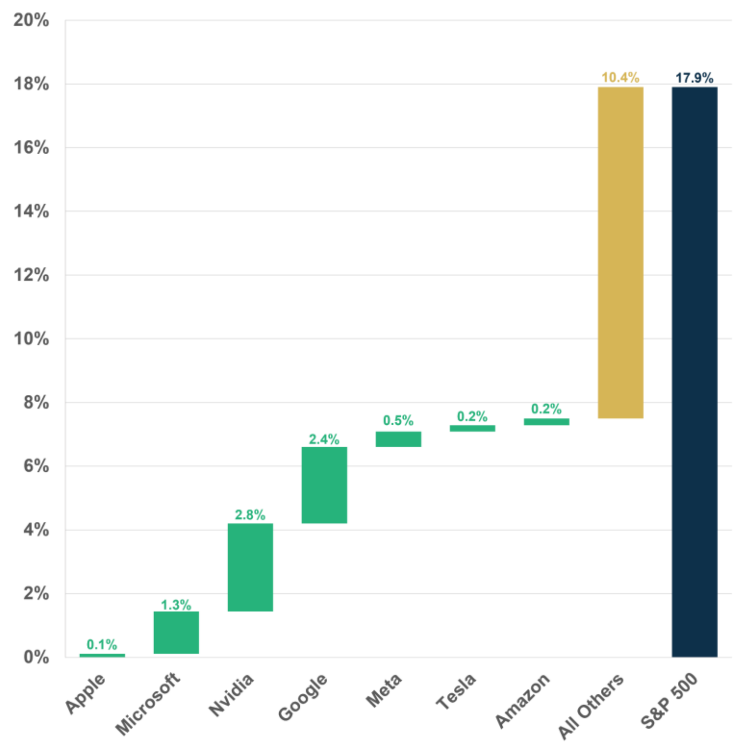
Let’s Recap 2025



Lifeblood Of A Bull Market Is Rotation

2025 benefited from Mag 7 contributions, but it was far from a top heavy year

Contributions to S&P 500 Total Return for 2025



Data source: Carson Investment Research, Factset 12/31/2025

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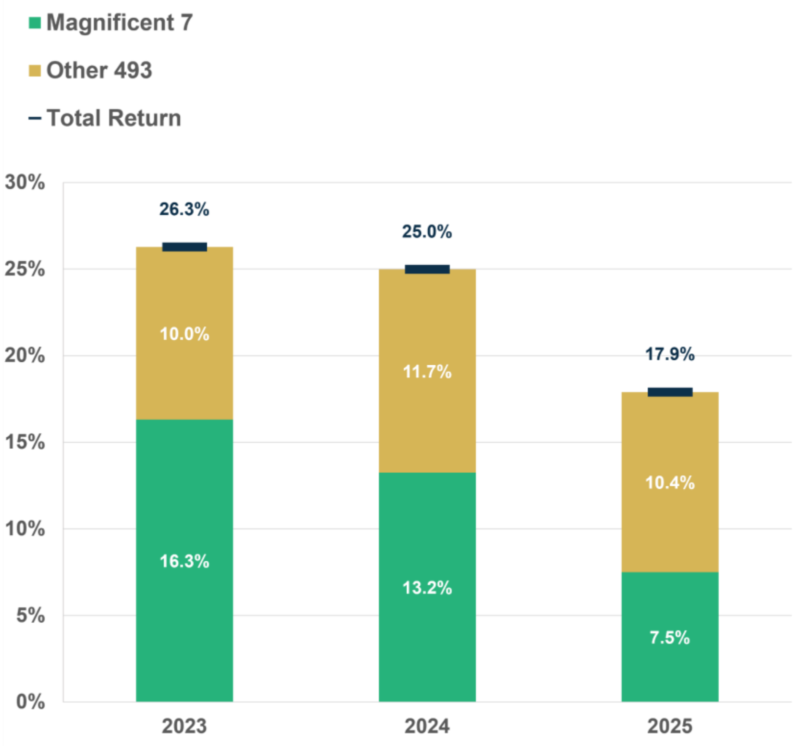
2025 saw less dominance from the Mag 7

Contribution to S&P 500 Total Return



Data source: Carson Investment Research, Factset 12/31/2025

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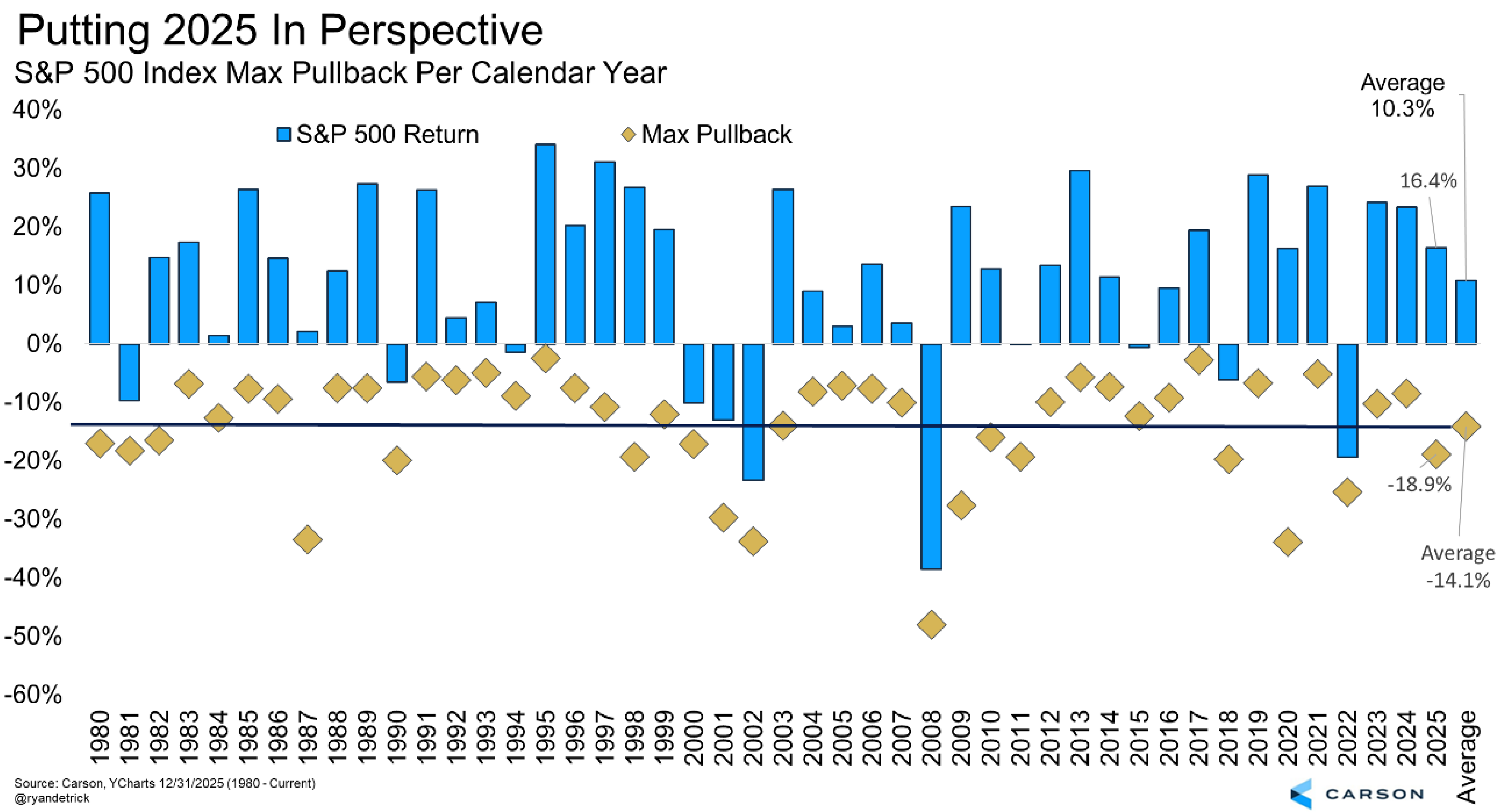
Key Lesson To Know



When In Doubt Diversify It Out

The Carson Quilt Chart

Returns for Major Market Indices (2011-2025)

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Fixed Income 7.8%	Int'l EM 18.2%	Small Cap 38.8%	Large Cap 13.7%	Growth 5.7%	Small Cap 21.3%	Int'l EM 37.3%	Cash 1.8%	Growth 36.4%	Growth 38.5%	Large Cap 28.7%	Comdty 16.1%	Growth 42.7%	Growth 33.4%	Int'l EM 33.6%
Growth 2.6%	Value 17.5%	Mid Cap 34.8%	Value 13.5%	Large Cap 1.4%	Value 17.3%	Growth 30.2%	Fixed Income 0.0%	Large Cap 31.5%	Small Cap 20.0%	Growth 27.6%	Cash 1.5%	Large Cap 26.3%	Large Cap 25.0%	Int'l Dev 31.2%
Large Cap 2.1%	Int'l Dev 17.3%	Growth 33.5%	Mid Cap 13.2%	Fixed Income 0.5%	Mid Cap 13.8%	Int'l Dev 25.0%	Growth -1.5%	Mid Cap 30.5%	Large Cap 18.4%	Comdty 27.1%	Value -7.5%	Int'l Dev 18.2%	Mid Cap 15.3%	Growth 18.6%
Moderate Benchmark [illegible]	Mid Cap 17.3%	Value 32.5%	Growth 13.0%	Cash 0.0%	Large Cap 12.0%	Large Cap 21.8%	Large Cap -4.4%	Value 26.5%	Int'l EM 18.3%	Value 25.2%	Fixed Income -13.0%	Mid Cap 17.2%	Value 14.4%	Large Cap 17.9%
Value 0.4%	Small Cap 16.3%	Large Cap 32.4%	Moderate Benchmark 6.6%	Moderate Benchmark -0.6%	Comdty 11.8%	Mid Cap 18.5%	Moderate Benchmark [illegible]	Small Cap 25.5%	Mid Cap 17.1%	Mid Cap 22.6%	Int'l Dev -14.5%	Small Cap 16.9%	Small Cap 11.5%	Value 15.9%
Cash 0.1%	Large Cap 16.0%	Int'l Dev 22.8%	Fixed Income 6.0%	Int'l Dev -0.8%	Int'l EM 11.2%	Small Cap 14.6%	Value -8.3%	Int'l Dev 22.0%	Moderate Benchmark [illegible]	Small Cap 14.8%	Moderate Benchmark -14.8%	Moderate Benchmark 14.9%	Moderate Benchmark [illegible]	Comdty 15.8%
Mid Cap -1.5%	Growth 15.3%	Moderate Benchmark 15.3%	Small Cap 4.9%	Mid Cap -2.4%	Moderate Benchmark 7.4%	Moderate Benchmark 14.4%	Mid Cap -9.1%	Moderate Benchmark 19.8%	Int'l Dev 7.8%	Int'l Dev [illegible]	Mid Cap -17.3%	Value 11.5%	Int'l EM 7.5%	Moderate Benchmark 15.1%
Small Cap -4.2%	Moderate Benchmark 11.5%	Cash 0.0%	Cash 0.0%	Value -3.8%	Growth 7.1%	Value 13.7%	Small Cap -11.0%	Int'l EM 18.4%	Fixed Income 7.5%	Moderate Benchmark 11.1%	Large Cap -18.1%	Int'l EM 9.8%	Comdty 5.4%	Small Cap 12.8%
Int'l Dev -12.1%	Fixed Income 4.2%	Fixed Income -2.0%	Int'l EM -2.2%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty -11.2%	Fixed Income 8.7%	Value 2.8%	Cash 0.0%	Int'l EM -20.1%	Fixed Income 5.5%	Cash 5.3%	Mid Cap 10.6%
Comdty -13.3%	Cash 0.1%	Int'l EM -2.6%	Int'l Dev -4.9%	Int'l EM -14.9%	Int'l Dev 1.0%	Comdty 1.7%	Int'l Dev -13.8%	Comdty 7.7%	Cash 0.5%	Fixed Income -1.5%	Small Cap -20.4%	Cash 5.1%	Int'l Dev 3.8%	Fixed Income 7.3%
Int'l EM -18.4%	Comdty -1.1%	Comdty -9.5%	Comdty -17.0%	Comdty -24.7%	Cash 0.3%	Cash 0.8%	Int'l EM -14.6%	Cash 2.2%	Comdty -3.1%	Int'l EM -2.5%	Growth -29.1%	Comdty -7.9%	Fixed Income 1.3%	Cash 4.3%

Sources: Carson Investment Research, Morningstar Direct as of 12/31/2025. Moderate benchmark consists of 14% S&P 500 TR, 8% Russell Mid Cap TR, 4% Russell 2000 TR, 8% Russell 1000 Value TR, 8% Russell 1000 Growth TR, 18% MSCI ACWI Ex-USA NR, 35% Bloomberg US Agg Bond TR, 5% Bloomberg US Treasury 1-3M TR

Outlook '26: Stocks and Bonds

'26
Forecast

- A wave of deficit-financed stimulus, lower rates, and AI spending lifts profits despite labor market risk.
- High starting yields help but inflation uncertainty may limit participation in rate cuts.

RETURNS

Stocks
12-15%

Bonds
3-5%

Economy & Policy

Why Did God Create Economists?

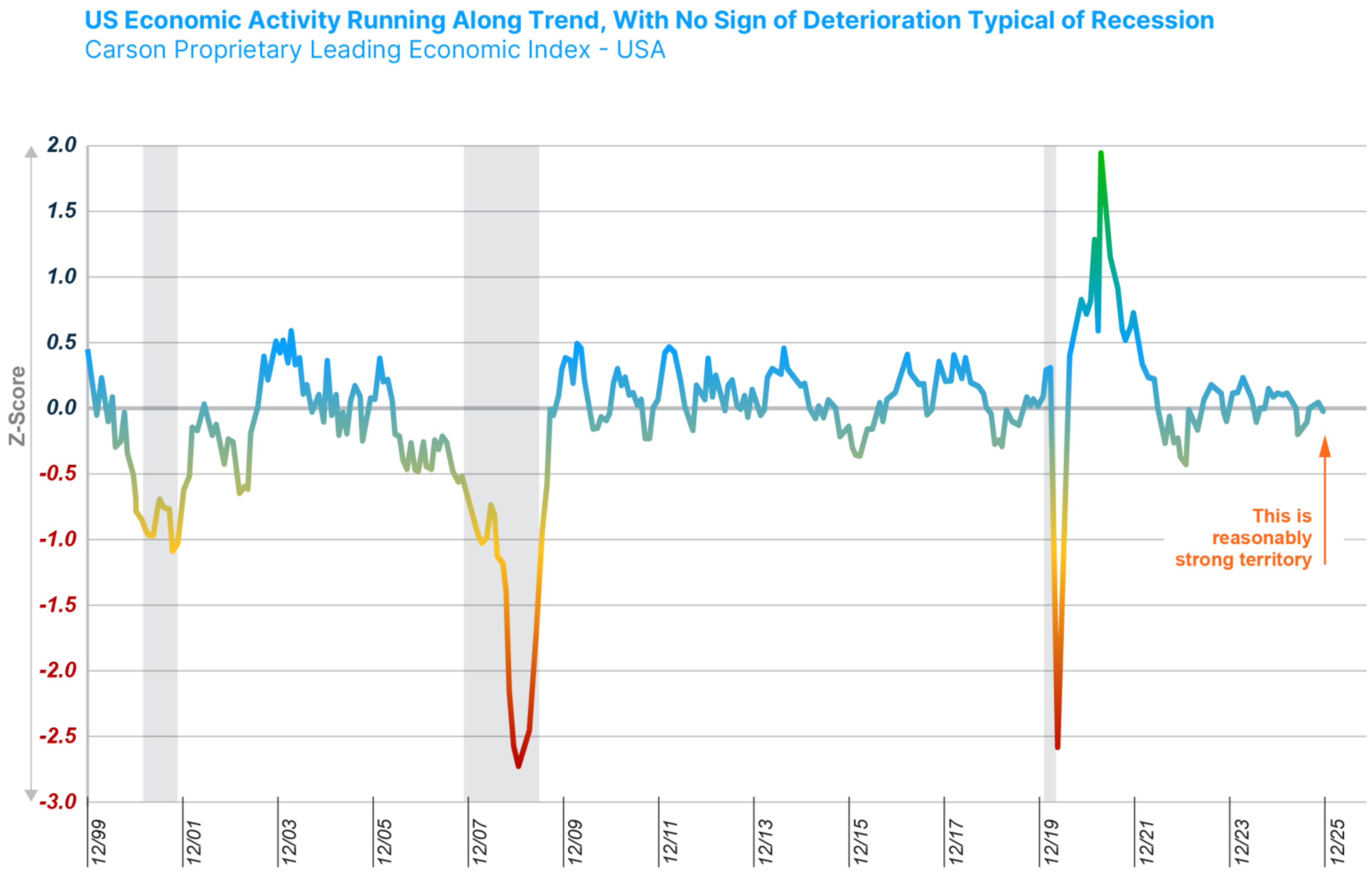
Why Did God Create Economists?

To make weathermen look good!

Carson's Leading Economic Index

The Economy Is Running Near Trend

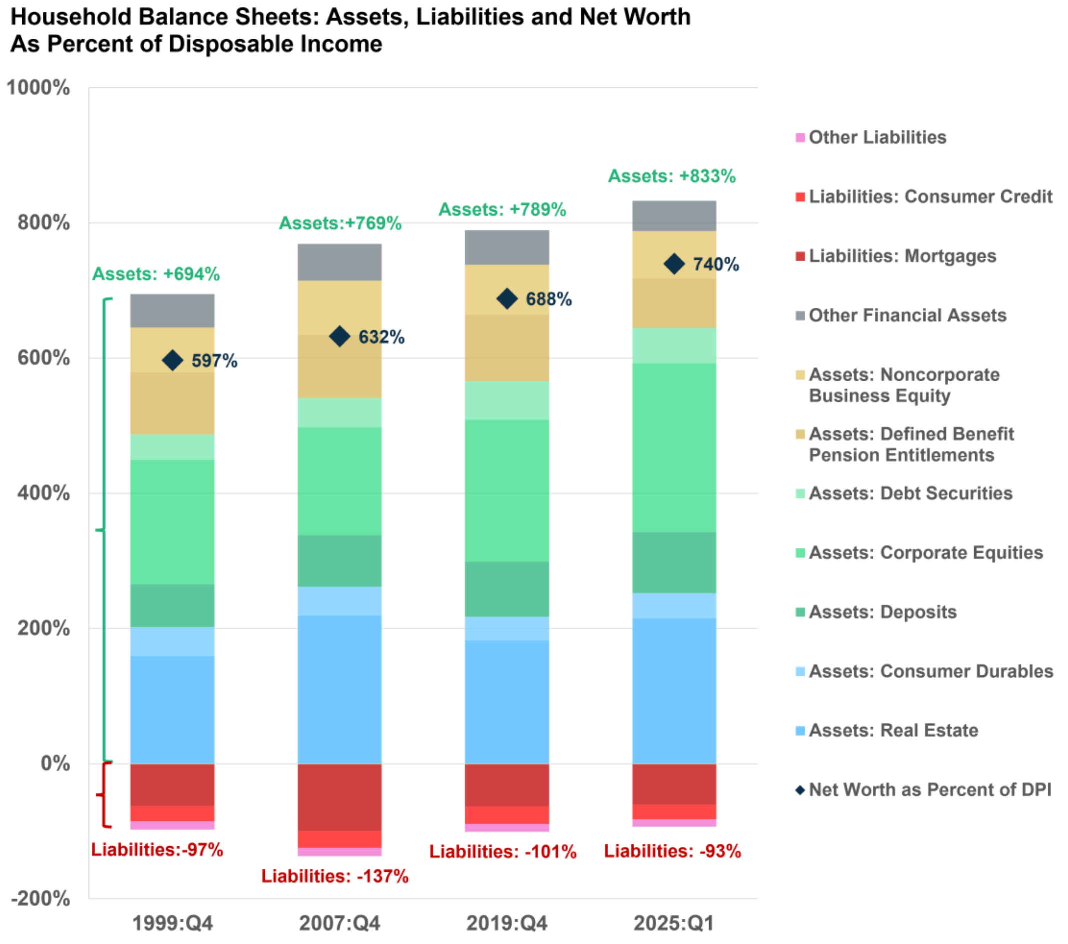
- Our proprietary Leading Economic Index is signaling near-trend growth in the US.



Data source: Carson Investment Research | 11/30/2025 | Shaded areas indicate U.S. recessions

Consumer Balance Sheets Are Strong

Higher stock prices and rising real estate values boost households



Data source: Carson Investment Research, Federal Reserve 06/24/2025

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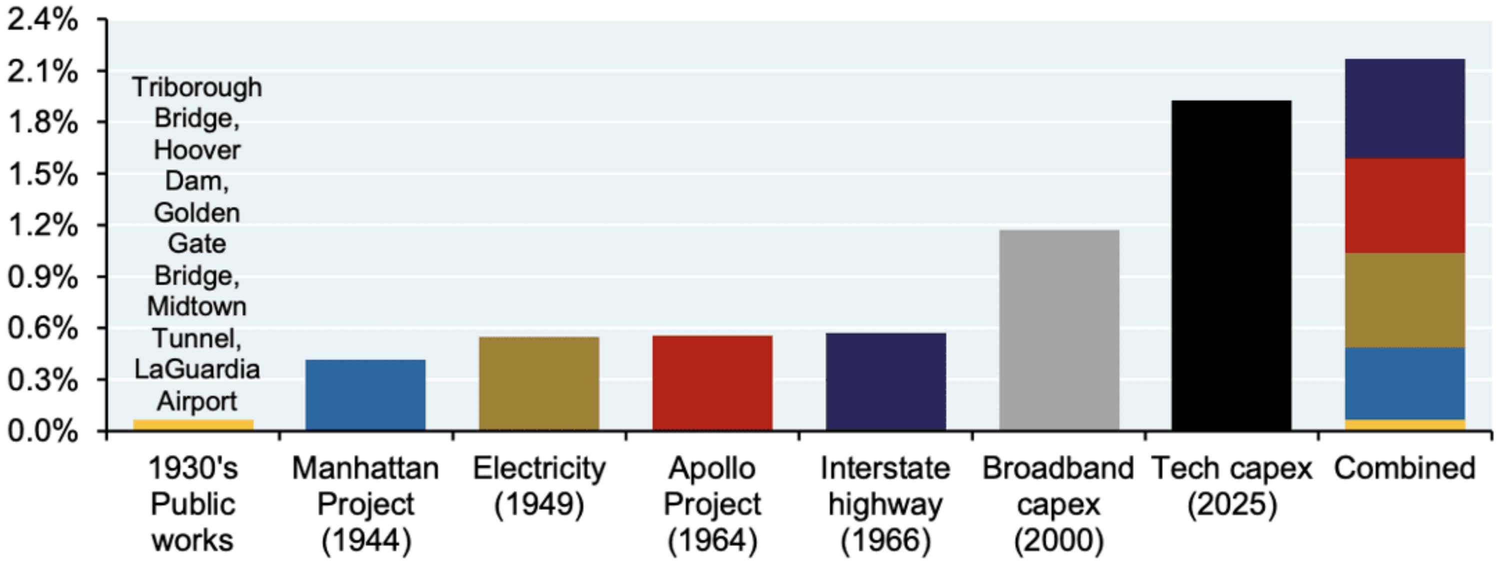
Tech Is Spending Big

No Let Up in AI-Related Capex Spending

- AI-related capital spending has reached historic levels.
- AI investment has become a meaningful growth driver.

Tech capital spending in 2025 vs spending on major US infrastructure projects

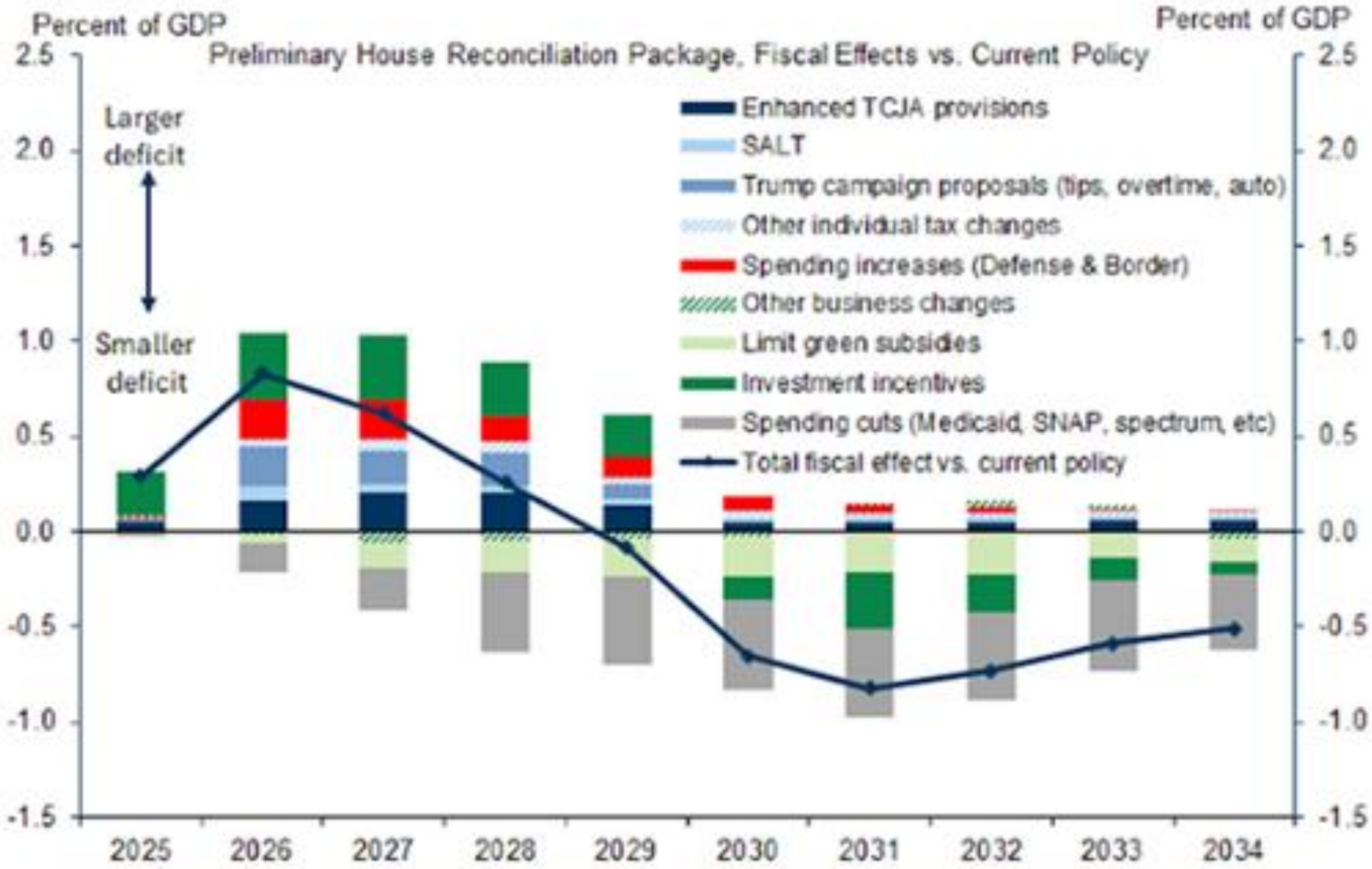
Peak annual project percent of GDP



Source: Manhattan District History, BEA, Planetary Society, Eno Center for Transportation, San Francisco Fed, Hoover archives, Baruch, GoldenGate.org, New York Times, JPMAM, 2025

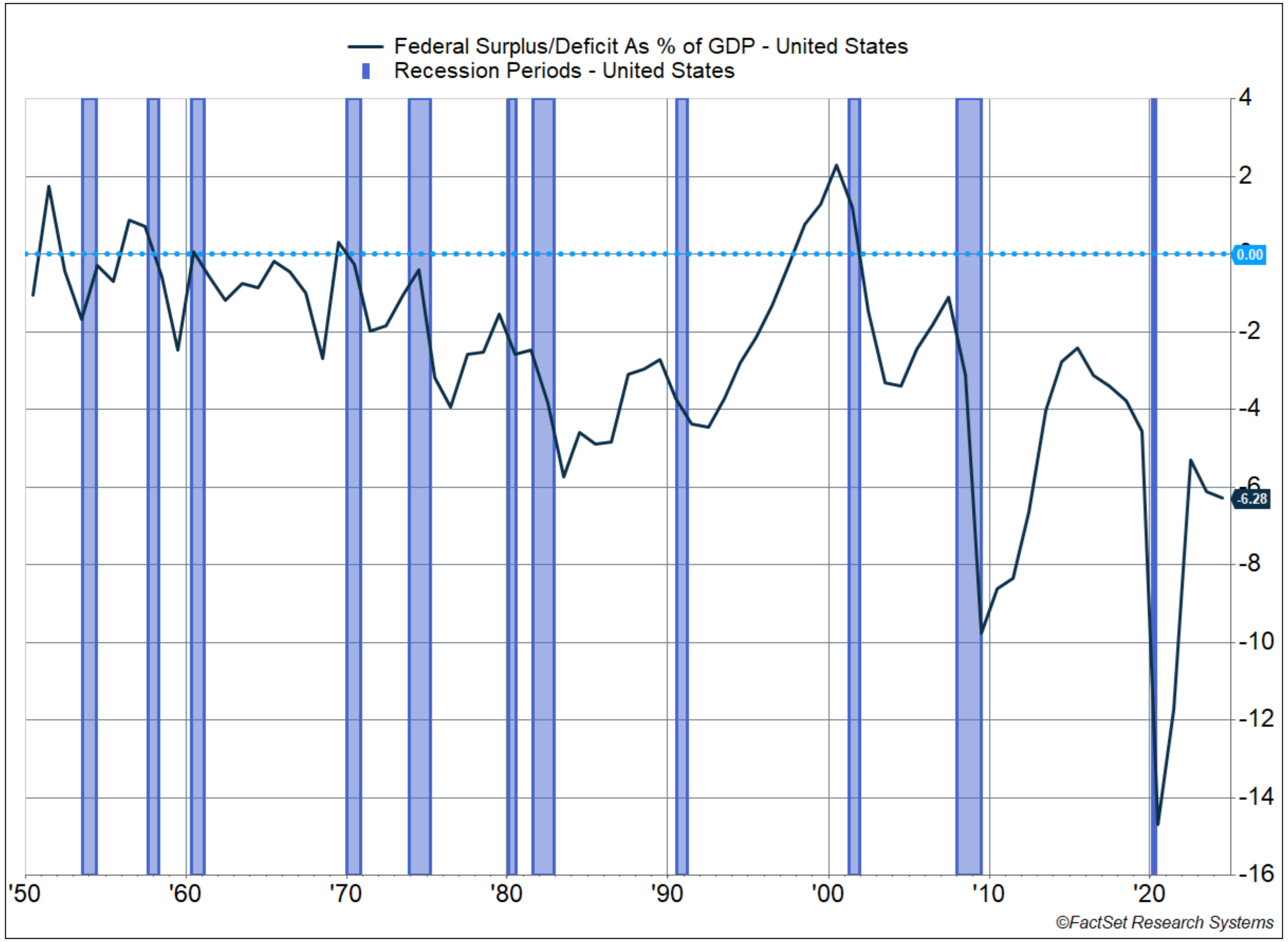
Fiscal Policy Is Front Loaded

Exhibit 3: Front-Loaded Tax Cuts, Back-Loaded Spending Cuts



Source: Congressional Budget Office, Joint Committee on Taxation, Goldman Sachs Global Investment Research

Fiscal Policy Tailwind – Higher Deficits



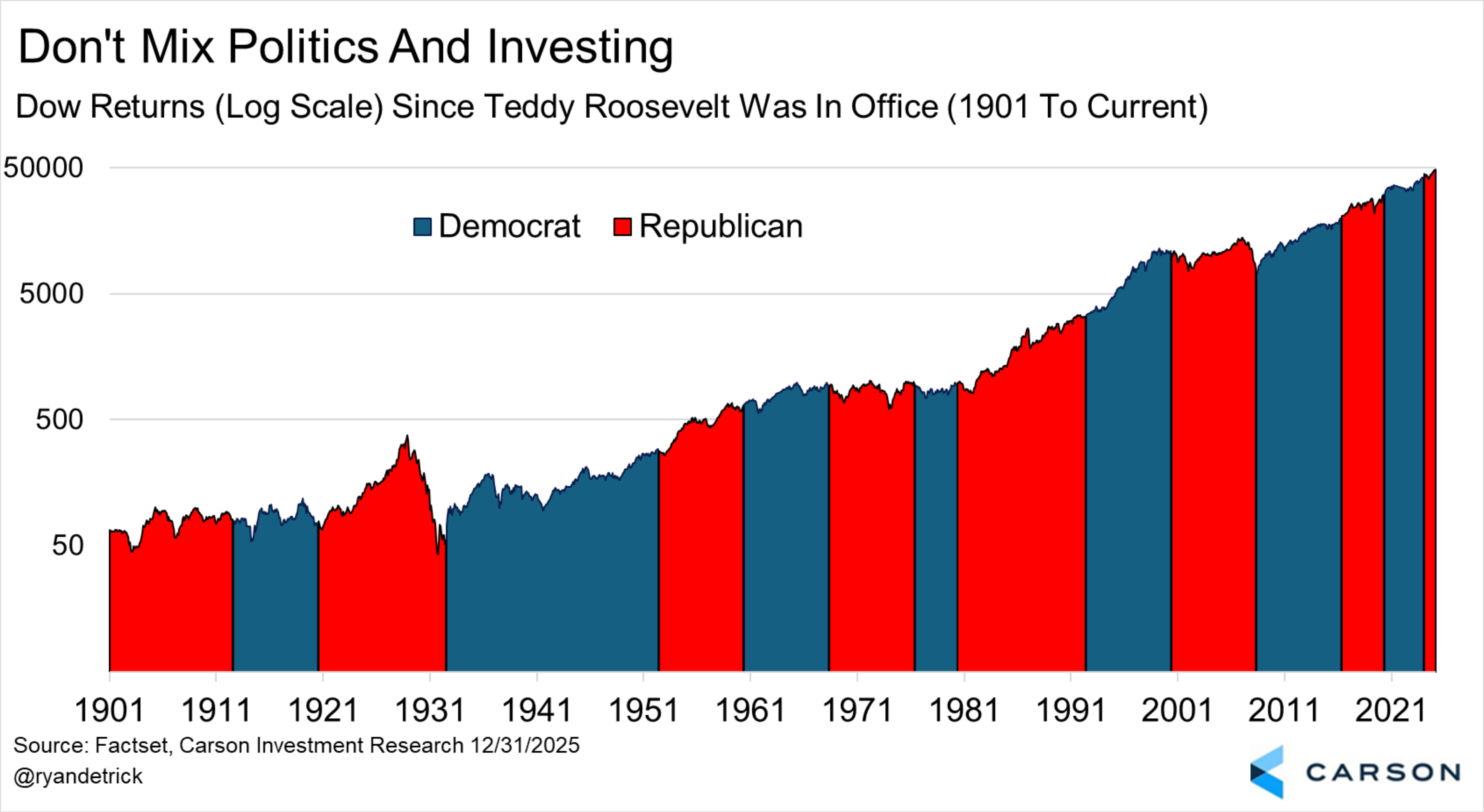
Monetary Policy : Inflation vs The Labor Market

The Fed is cutting rates despite elevated inflation, to help prop up the labor market

“I don’t make jokes. I watch the government and report the facts.”

Will Rogers

Not About Red Or Blue, It Is About Green



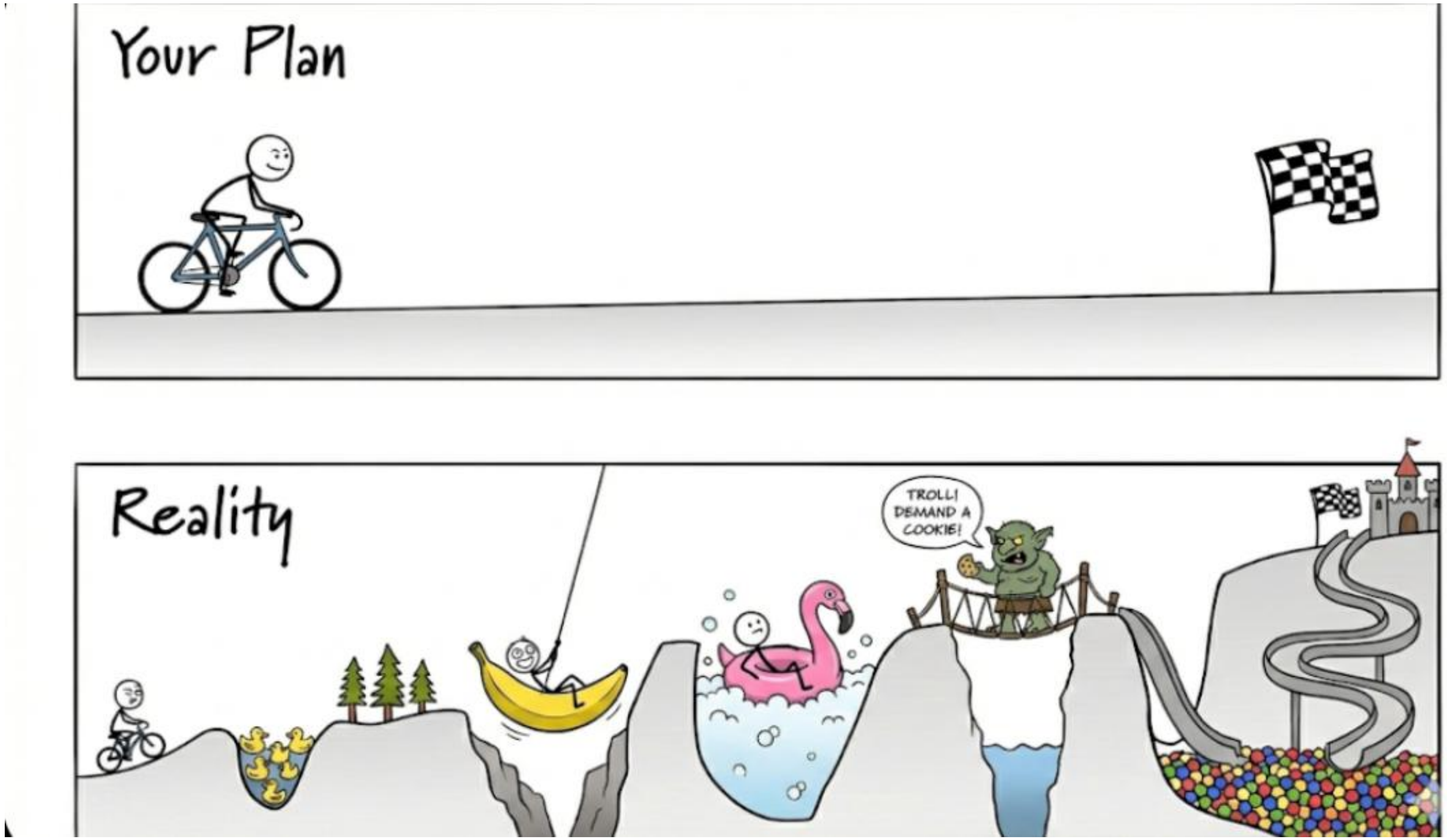
"If the opposite of 'pro' is 'con', then the opposite of progress must be Congress."

Sam Stovall

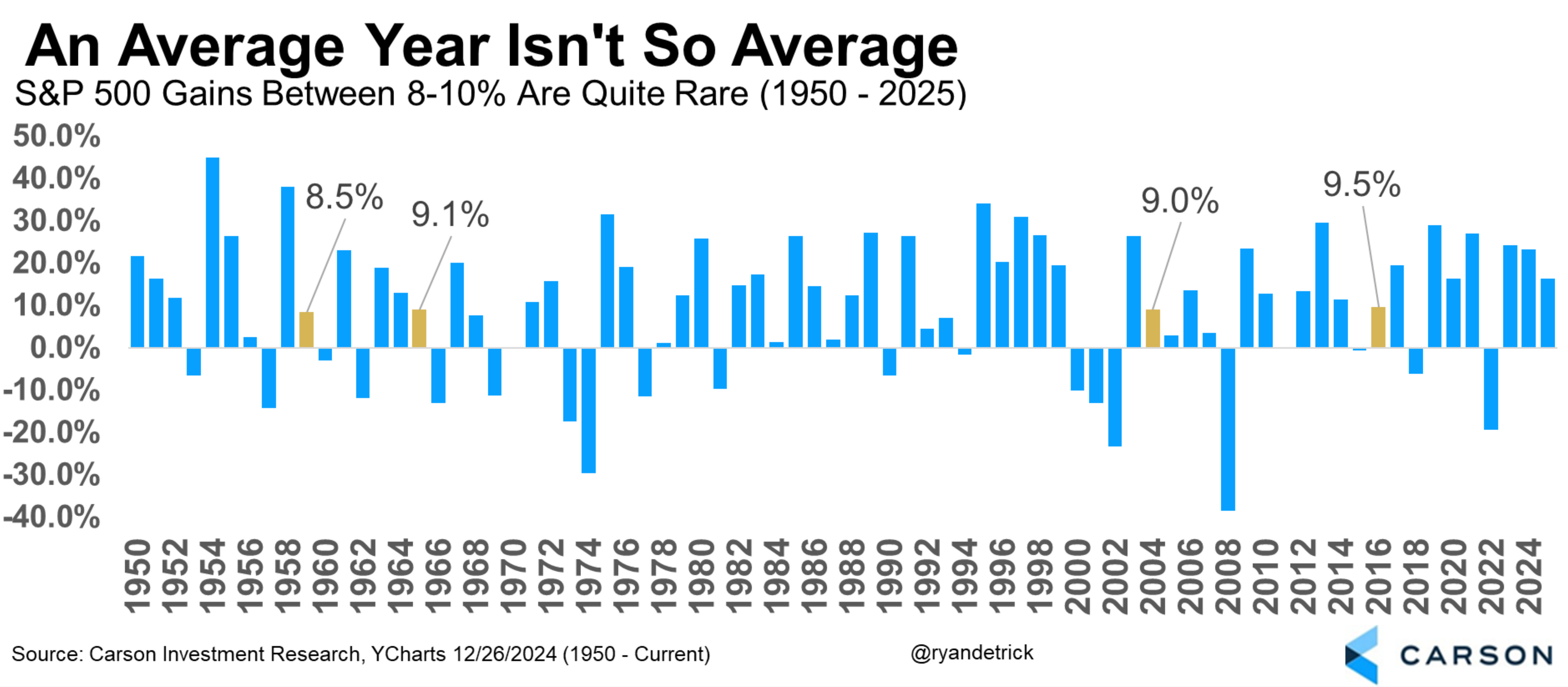
Follow Us, Janet Yellen Does

Equities

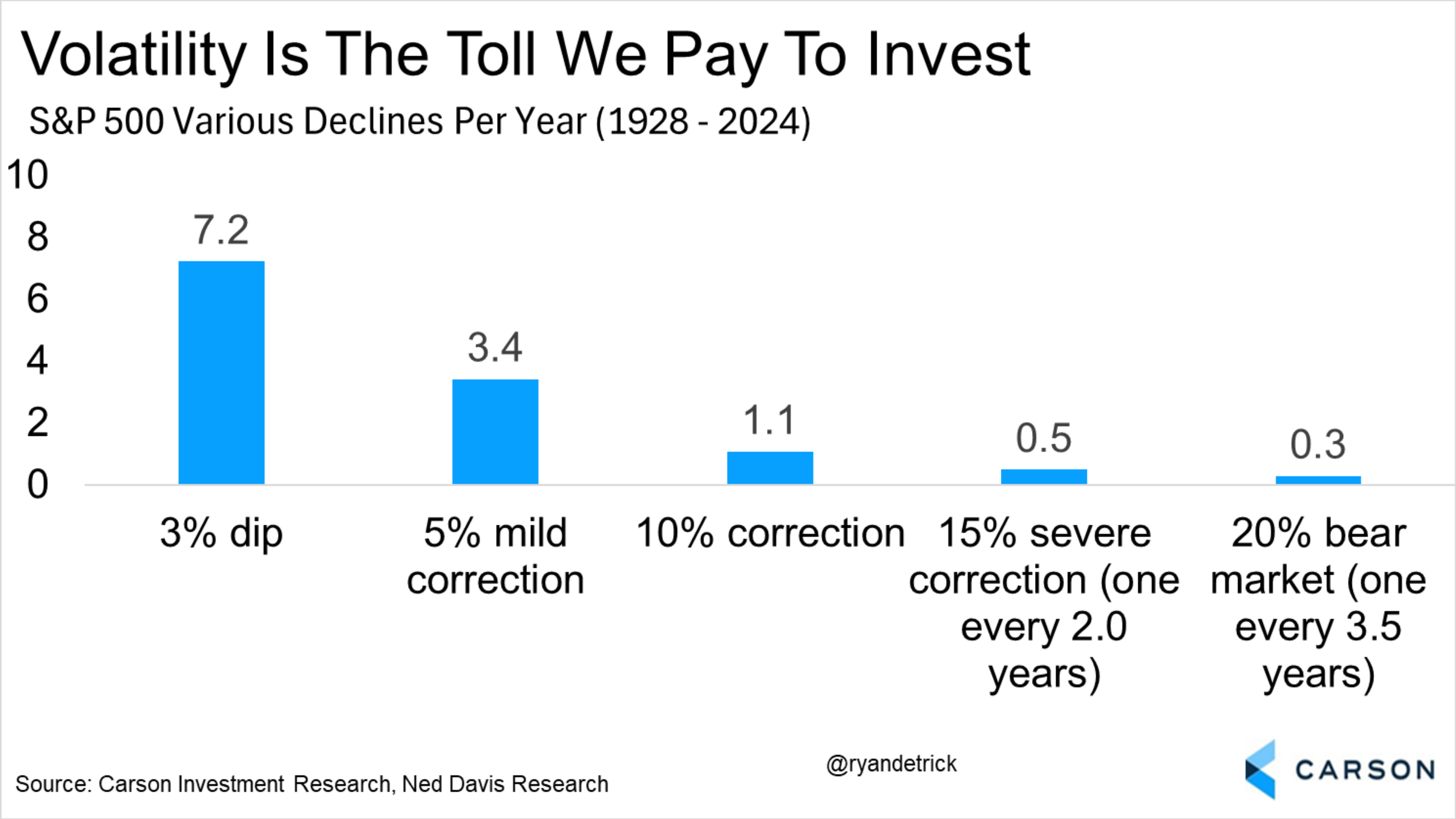
"Plans Are Useless, Planning Is Everything." President Eisenhower



No Such Thing As Average In Investing

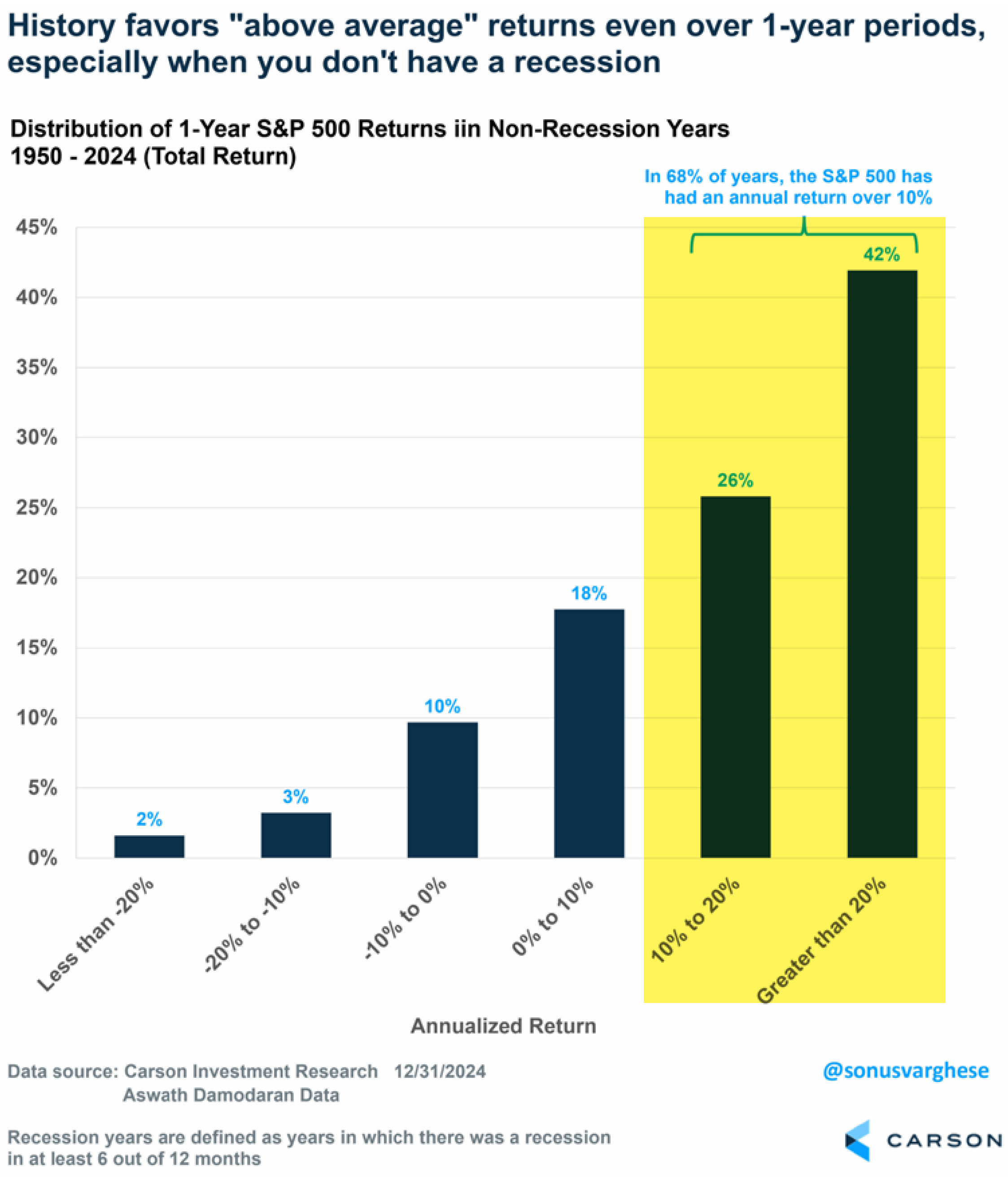


"The stock market is fun and, sometimes, very painful." Regis Philbin



No Recession = Better Potential Returns

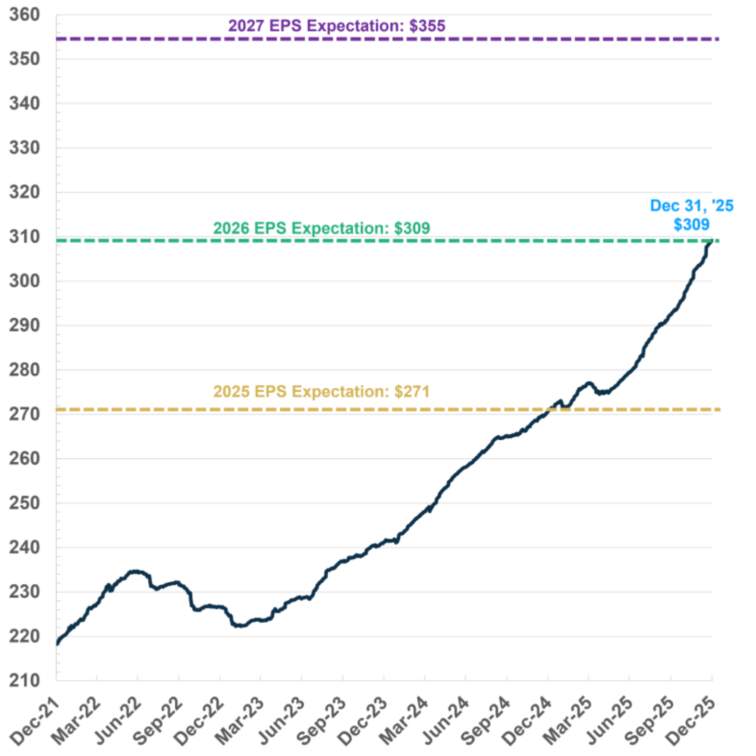
- Above-average returns are common in non-recessionary periods.
- Large drawdowns are historically rare without an economic downturn.



The Dual Tailwinds Are Still In Play

Forward earnings expectations still rising

S&P 500 Index - Next 12 Month Earnings Per Share



Data source: Carson Investment Research, Factset 12/31/2025

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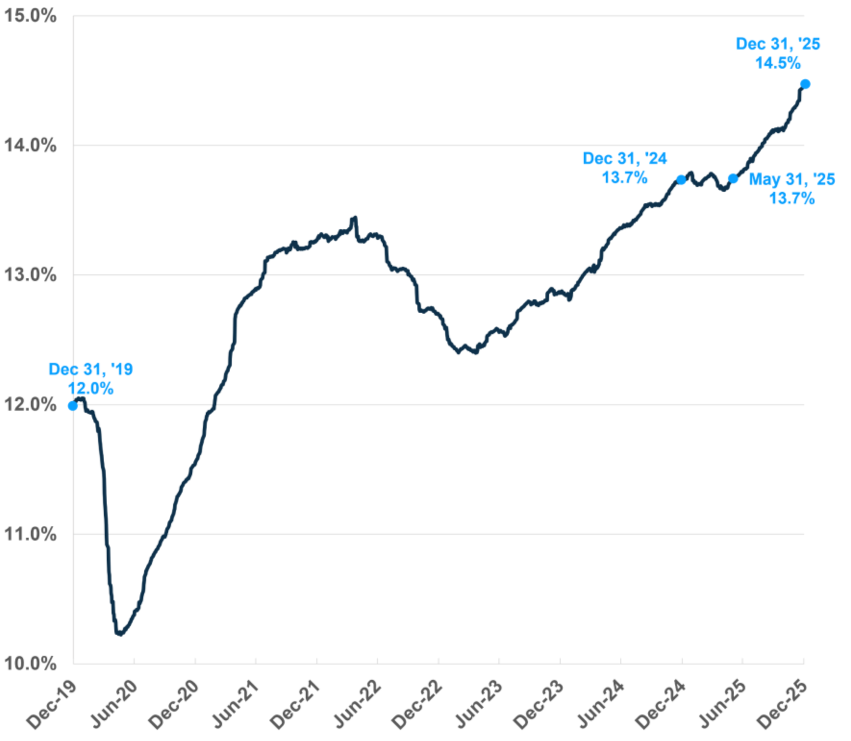
Margins expanded in 2025, after bit of a wobble in the first half

S&P 500 Index - Profit Margin (Forward 12-months)



Data source: Carson Investment Research, Factset 12/31/2025

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Profit margin estimated as next 12-month earnings divided by sales

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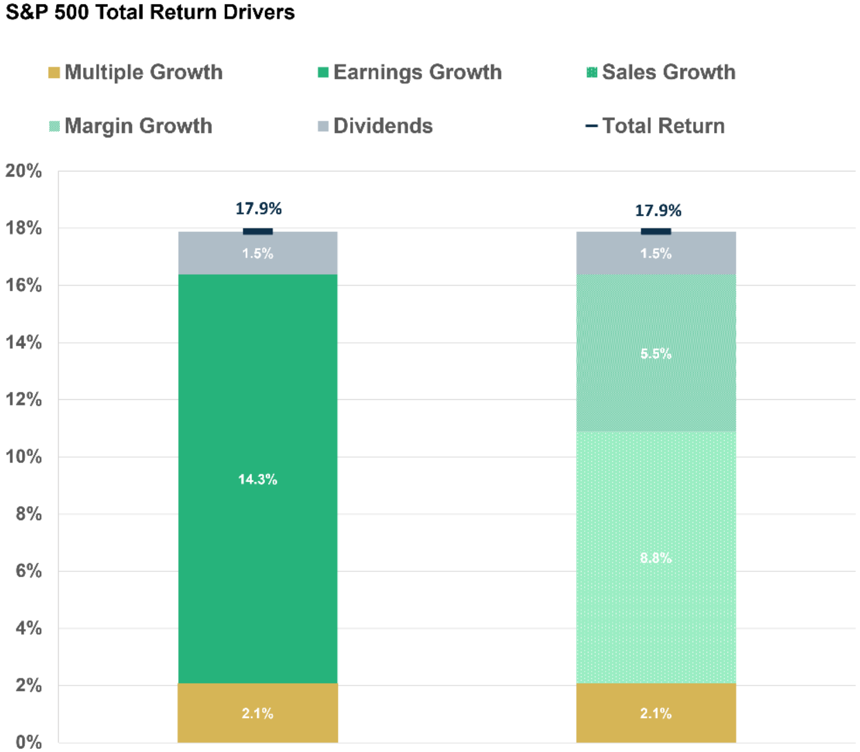
It Is Confusing

No, This Isn't A Bubble

Sales growth & margin expansion powered S&P 500 returns in 2025, much more so than multiple expansion



Data source: Carson Investment Research, Factset 12/31/2025

Next 12-month data used for earnings, sales, margins and multiples.

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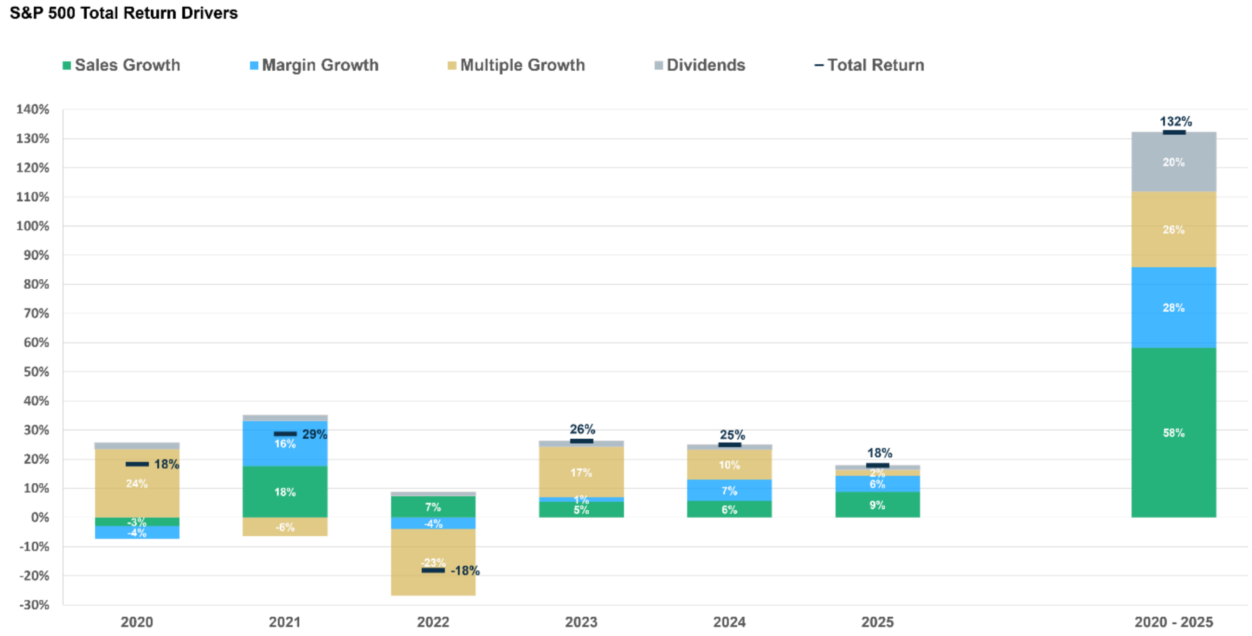
Sales growth & margin expansion = higher returns



Data source: Carson Investment Research, Factset 12/31/2025

Next 12-month data used for earnings and multiples.

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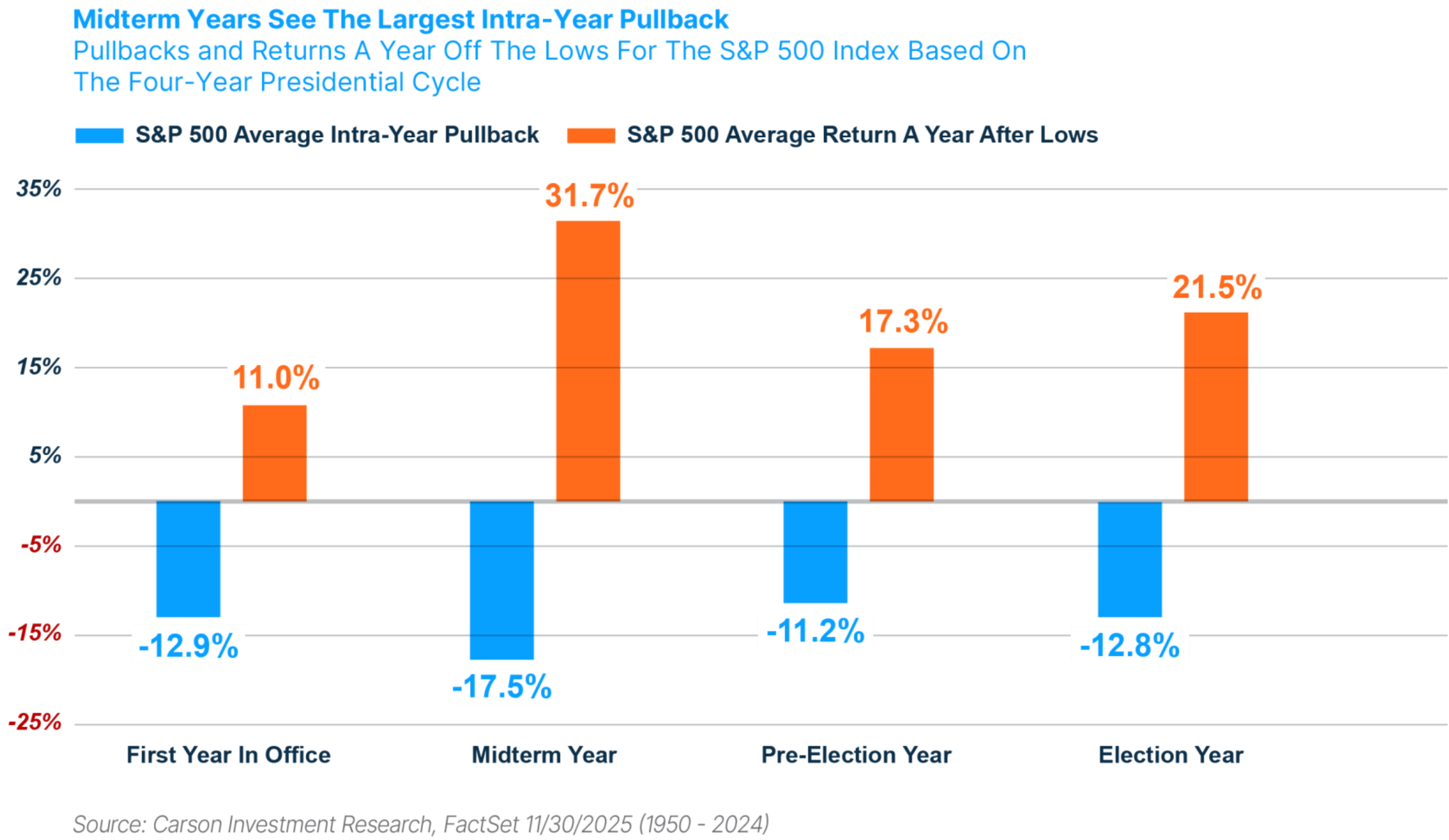
History Suggests It Won't Be Smooth Sailing

Pullbacks have been larger in midterm years, but so have the rebounds.



The Six Year Itch

Year Six In Office Has Been Very Strong For The Bulls

Presidents That Made It Six Years In Office (1950 - Current)

Year One In Office	President	S&P 500 Returns Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1957	Dwight D. Eisenhower (Rep)	-6.6%	45.0%	26.4%	2.6%	-14.3%	38.1%
1981	Ronald Reagan (Rep)	-9.7%	14.8%	17.3%	1.4%	26.3%	14.6%
1993	Bill Clinton (Dem)	7.1%	-1.5%	34.1%	20.3%	31.0%	26.7%
2001	George W. Bush (Rep)	-13.0%	-23.4%	26.4%	9.0%	3.0%	13.6%
2009	Barack Obama (Dem)	23.5%	12.8%	0.0%	13.4%	29.6%	11.4%
2017	Donald Trump (Rep)	19.4%	-6.2%	28.9%	16.3%	17.3%	?
	Average	3.4%	6.9%	22.2%	10.5%	15.5%	20.9%
	Median	0.2%	5.6%	26.4%	11.2%	21.8%	14.6%
	% Higher	50.0%	50.0%	83.3%	100.0%	83.3%	100.0%

Source: Carson Investment Research, FactSet 12/30/2025
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* President Nixon was removed from office in August of his sixth year. The S&P 500 fell 29.7% in 1973.

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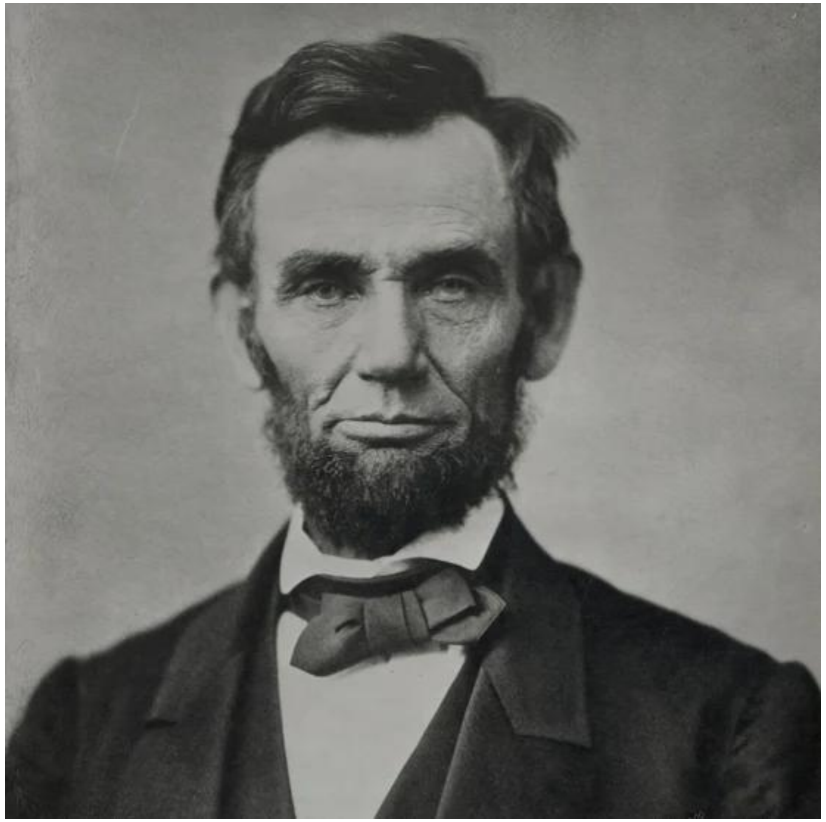
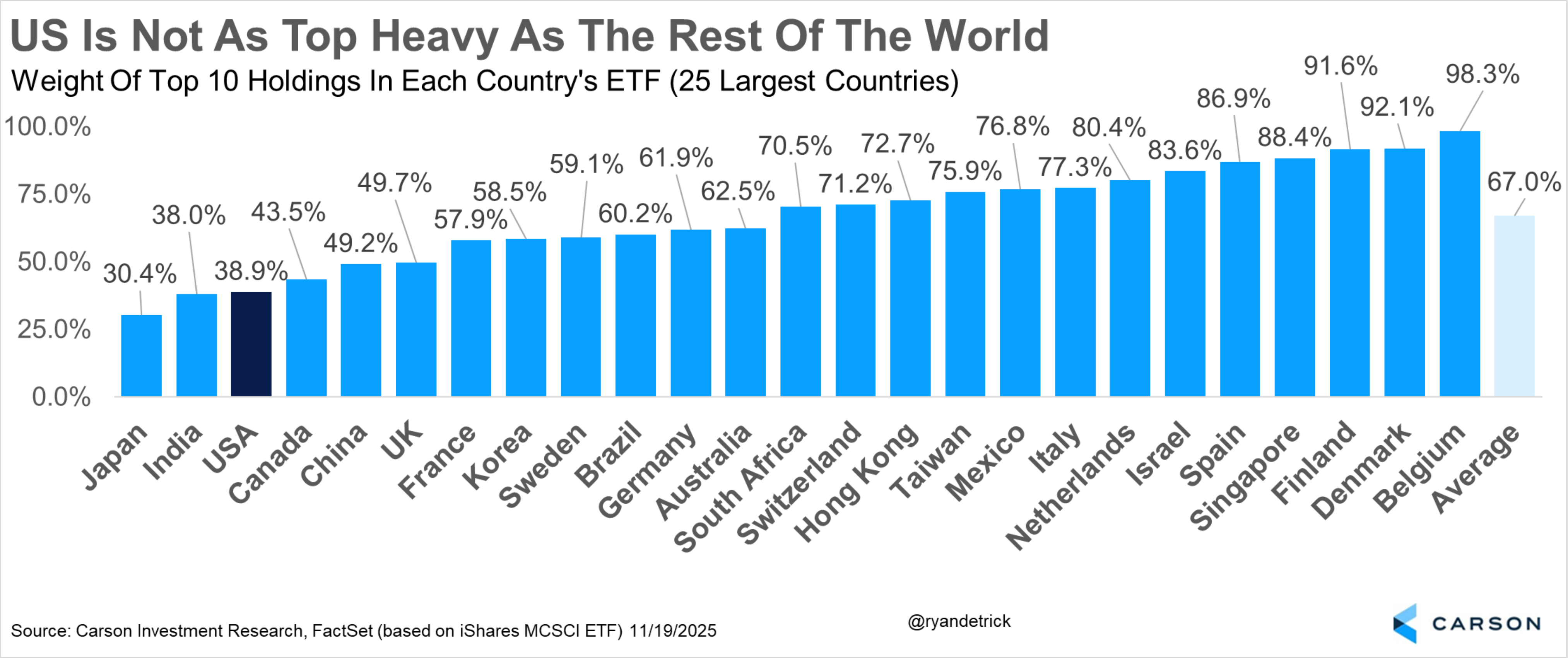
“It’s not me who can’t keep a secret. It is the people I tell who can’t.”

Abe Lincoln



The US Isn't Top Heavy



Do You Play With Slingshots?

The Slingshot Says Don't Sleep on 2026

S&P 500 Returns After Down >15% YTD And Comes Back To Up Double Digits (1950 - Current)

		S&P 500 Returns	
Year	YTD Low	Final YTD Return	Next Year Return
1982	-16.4%	14.8%	17.3% (1983)
2009	-25.1%	23.5%	12.8% (2010)
2020	-30.8%	16.3%	26.9% (2021)
2025	-15.3%	16.4%	? (2026)
	Average		19.0%
	Median		17.3%
	% Higher		100.0%

Source: Carson Investment Research, FactSet 12/31/2025
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Year Four Is Strong

Year Four Of Bull Markets Tends To Be Strong

S&P 500 Yearly Performance During Bull Markets (1950 - Current)

Bull Markets			S&P 500 Returns			
Start Date	End Date	Return First Three Years Of Bull Market	Year 1	Year 2	Year 3	Year 4
6/13/1949	8/2/1956	79.9%	40.0%	14.5%	12.9%	-3.1%
10/22/1957	12/12/1961	38.2%	31.5%	9.7%	-4.8%	27.5%
6/26/1962	2/9/1966	59.7%	32.7%	17.4%	2.3%	X
10/3/1974	11/28/1980	55.0%	34.6%	21.2%	-8.4%	6.2%
8/12/1982	8/25/1987	83.9%	12.8%	15.2%	13.9%	27.8%
12/4/1987	3/24/2000	44.1%	57.7%	2.0%	-8.0%	17.5%
10/9/2002	10/9/2007	54.0%	21.4%	29.0%	5.4%	12.9%
3/9/2009	2/19/2020	99.9%	28.8%	5.7%	3.5%	13.7%
10/12/2022	10/13/2025*	83.2%	21.0%	34.7%	12.7%	?
Average		66.4%	31.2%	16.6%	3.3%	14.6%
Median		59.7%	31.5%	15.2%	3.5%	13.7%
% Higher			100.0%	100.0%	66.7%	85.7%

Source: Carson Investment Research, FactSet 10/14/2025
X means the bull peaked and a bear market started this year
* Current bull market is still active
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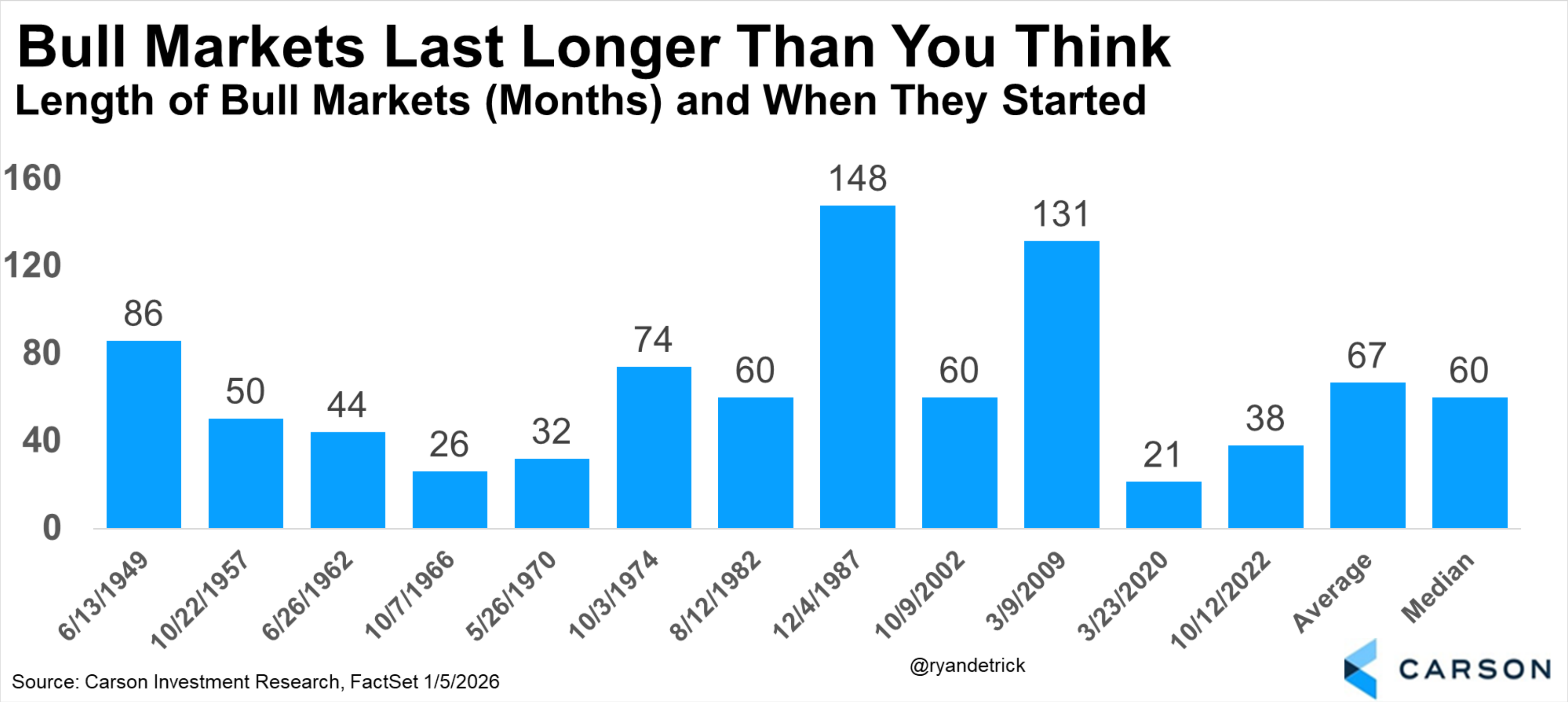
Age Is Just A Number

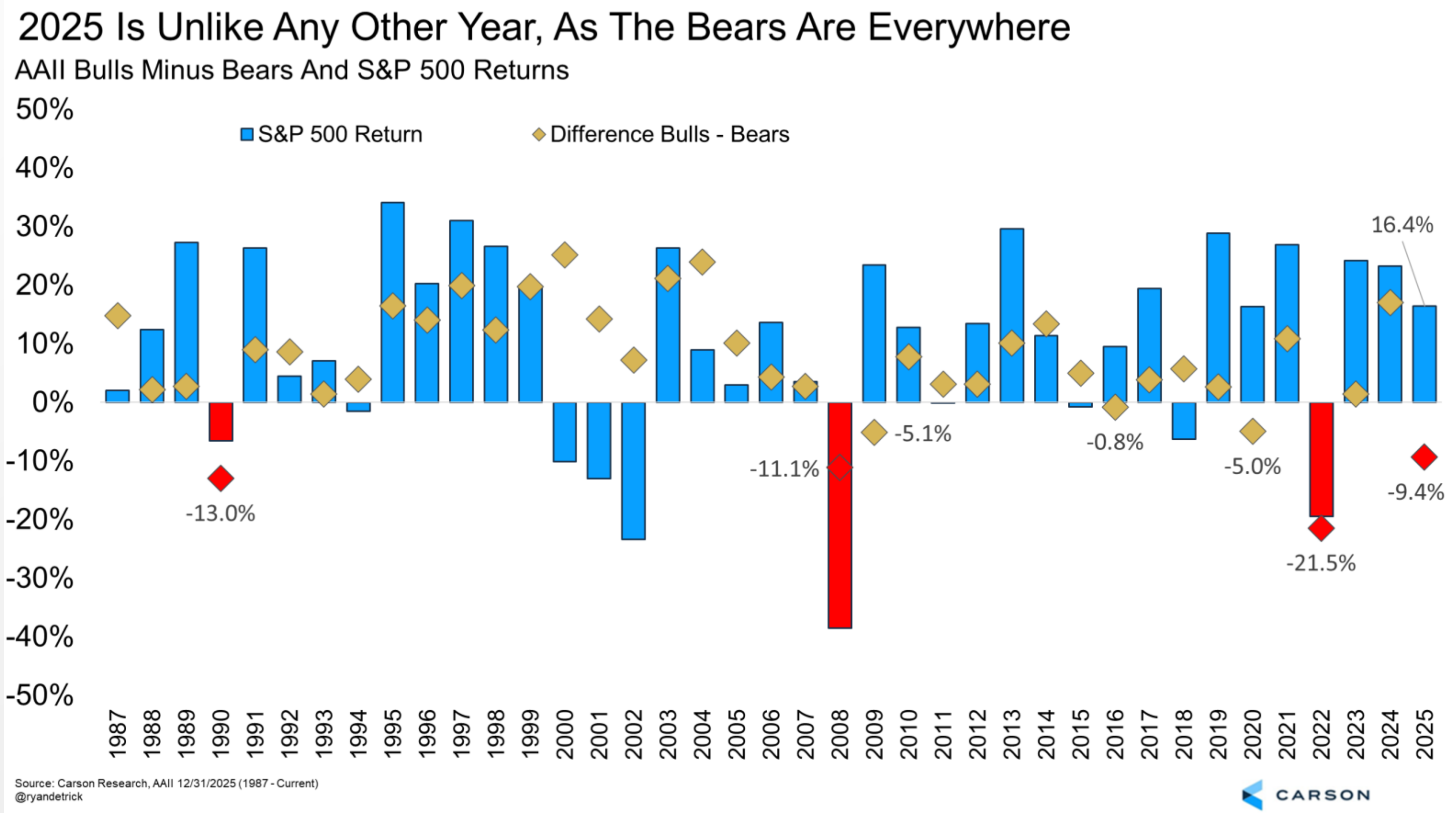
Bull Markets Tend To Last Longer Than You Think

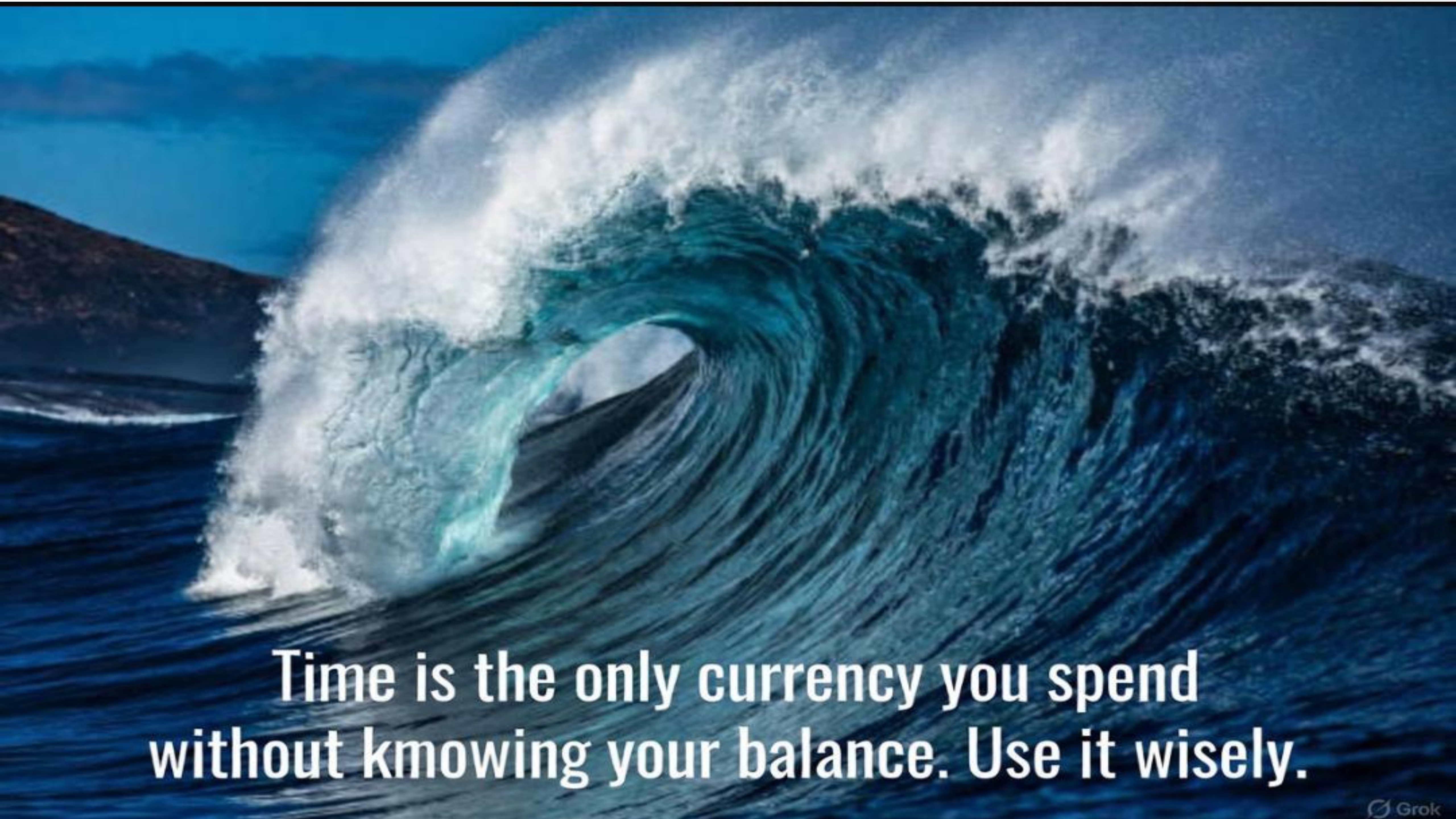
Age alone isn't a reason for caution.



Fear Reached Extreme Levels in 2025

2025 saw a historic gap between the level of fear and the actual economy (and markets).




Time is the only currency you spend
without kmowing your balance. Use it wisely.
Grok