MONTHLY VIEWPOINT

OUR CURRENT VIEW ON MARKETS
AND THE ECONOMY
JANUARY 2026

FORWARD
WEALTH MANAGEMENT

BIG THOUGHT

Economy and market expectations enter 2026 much where they finished 2025—squarely in a Goldilocks sweet spot. A defining feature of this cycle, the bifurcated "K-shaped" economy, appears set to persist. For the lower leg of the "K," further monetary easing combined with front-loaded OBBBA fiscal stimulus should provide support. For the upper leg, however, a notable risk in 2026 is that continued asset-price appreciation—particularly in the most loved AI segments—may no longer be a given (see Chart of the Month). On inflation, perhaps the most important observation of this cycle is what **hasn't** happened. Despite more than four years of inflation running above target, long-term inflation expectations have refused to lift. That anchoring, combined with rising unemployment and what appear to be transitory tariff pressures, may give policymakers room to deliver more than the two rate cuts currently expected this year.

DASHBOARD

Valuation	Red
Trend	Green
Economy	Yellow
Inflation	Green
Money Flow	Green
Credit	Green

BULLISH

- Corporate credit markets not showing stress in spreads, i.e. no recession pricing
- No deleterious effects from tariffs (Regardless of IEEPA ruling, tariffs will remain)
- Fiscal Deficits are historically bullish, and AI should energize productivity (GDP)
- Monetary Policy is supportive as rate cutting cycle underway. QT has ended

BEARISH

- Market valuation at levels last seen in 2000 and speculative behavior is prevelant
- Economic weakness & global trade restructuring risks negative feed-back loop
- Credit strains appearing in peripheral assets- private lending/BDCs
- Trump's pressure on rates (Fed/Treasury issuance) major source of risk to Treasuries

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CHART OF THE MONTH

Equity market leadership may also be poised for change in the year ahead. The Mag7 no longer trade as a unified complex, with dispersion among individual names continuing to widen. At the same time, market-implied volatility has begun rising alongside equity prices—an acknowledgement that risks are increasing in tandem with valuations. This shift comes as the large AI capex "hyperscalers" may be approaching a period of marginal stagnation. As highlighted in Jim Paulson's chart, stock performance relative to investment appears to be nearing a near-term plateau. Against that backdrop, it is notable that cyclical industries and smaller-capitalization stocks have begun to attract renewed interest and, in some cases, market-leading performance heading into the new year. Given AI's profound influence on both the economy and markets, whether leadership broadens—or simply rotates within technology—will be one of the most important storylines to watch in 2026.

ABOUT FORWARD WEALTH MANAGEMENT

Founded in 2014, Forward Wealth Management provides personalized financial guidance that helps clients find confidence and peace of mind where their goals meet real-world markets and money decisions. Our proprietary framework, TRAC, is a goals-based process that measures and maps Timelines, Resources, and Asset Allocation against current market Conditions and the expected cost of retirement income – helping clients stay on course through changing markets.

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