2026 Market Outlook

Opportunity Beyond Risk

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Bluekurtic Market Insights

2026 Outlook

Dovish Federal Reserve:
Rate cuts or a prolonged pause still support liquidity, financial conditions, and risk assets at the margin.

AI Investment Cycle:
Sustained AI-related capex and productivity gains continue to contribute positively to nominal GDP growth and corporate earnings.

Fiscal Policy (Tax & Incentives):
Targeted corporate and consumer tax relief and incentives support disposable income, capital spending, and profit margins.

Elevated but Stable Inflation:
Moderate inflation remains supportive for nominal revenue growth, pricing power, and earnings—particularly for equities.

Global Trade Dynamics:
Easing tariff pressures and incremental normalization in trade policy reduce margin and supply-chain headwinds.

Crypto Regulatory Progress (GENIUS Act):
Regulatory clarity around digital assets and stablecoins improves institutional adoption and market structure.

S&P 500 Target

A Weight-of-Evidence Approach

5 Models

2 Static + 3 Dynamic

S&P 500 2026 Target: 8,100

Not Cheap, Not Expensive - Just Productive

S&P 500 Earnings Yield < US 10Y ■ **S&P 500 Earnings Yield > US 10Y** ■
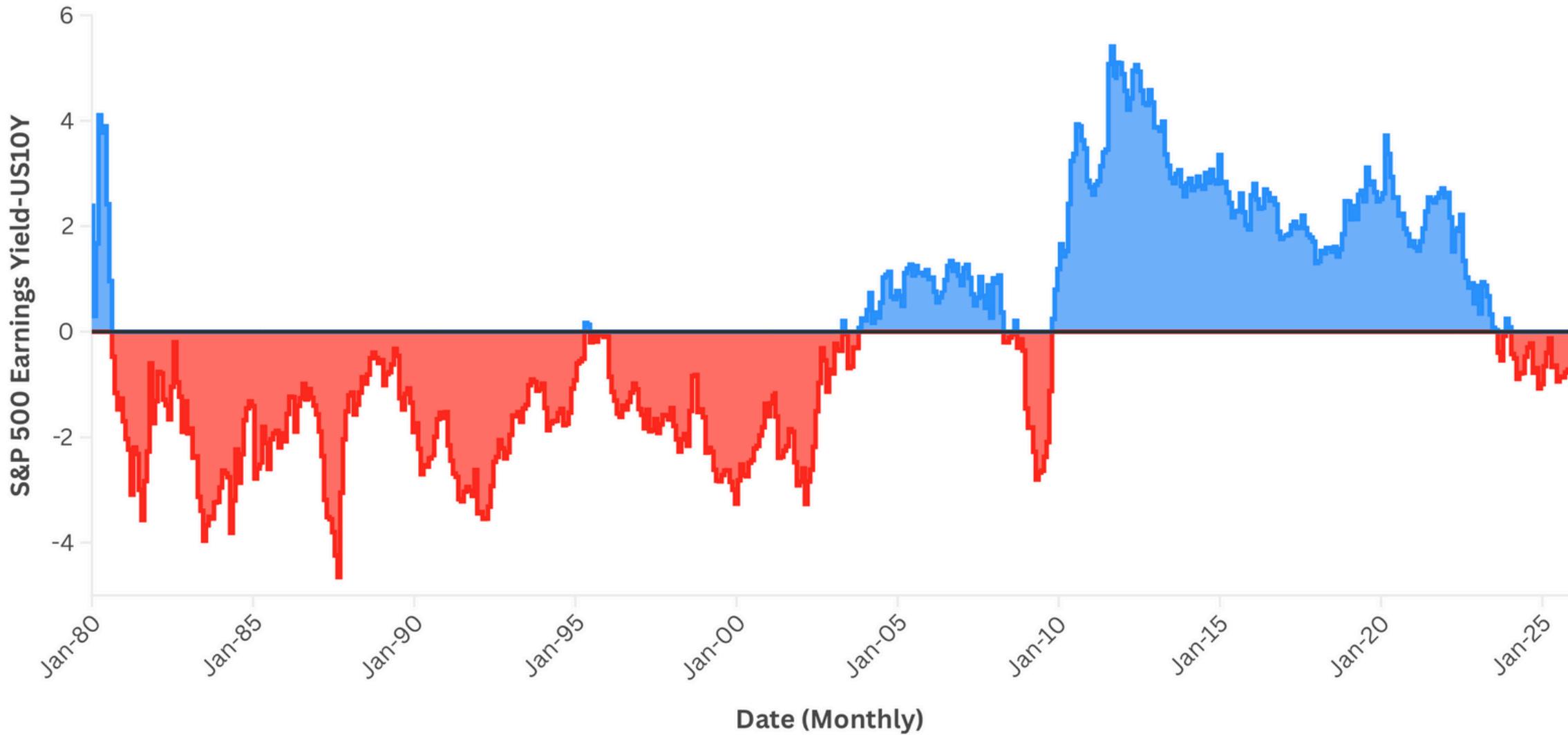
As of 12/12, the spread between the S&P 500 earnings yield and the U.S. 10-year Treasury stands at -0.95%, placing today's valuation in the 5th bucket of history.

When the spread previously traded in this range, the S&P 500 delivered an average 12-month return of 17.9%, while the average maximum drawdown over the following year was limited to just 6.9%.

bucket	1M % Change	2M % Change	3M % Change	6M % Change	9M % Change	12M % Change	12M Max Loss	12M Max Drawdown	Bucket Min	Bucket Max
1	-0.44%	-0.79%	-0.75%	-2.01%	-1.43%	-0.66%	-10.26%	-12.71%	-4.65%	-2.69%
2	1.36%	1.38%	0.99%	1.89%	3.46%	5.47%	-8.70%	-12.32%	-2.69%	-2.11%
3	0.59%	1.89%	3.86%	8.50%	10.55%	13.81%	-5.83%	-10.17%	-2.09%	-1.60%
4	0.91%	2.26%	3.58%	8.74%	12.42%	16.33%	-4.62%	-9.74%	-1.59%	-1.21%
5	1.39%	3.37%	4.51%	8.75%	14.37%	17.90%	-3.10%	-6.92%	-1.18%	-0.54%
6	1.09%	1.56%	2.52%	5.18%	8.93%	13.78%	-7.40%	-10.53%	-0.51%	0.35%
7	0.44%	1.09%	1.70%	2.13%	2.56%	3.16%	-6.91%	-10.32%	0.36%	1.25%
8	1.09%	1.54%	2.14%	5.32%	9.16%	10.93%	-4.74%	-9.23%	1.25%	2.22%
9	0.49%	1.25%	1.89%	3.67%	5.04%	8.78%	-7.38%	-10.98%	2.24%	2.82%
10	1.47%	3.27%	4.73%	8.93%	12.75%	15.33%	-3.51%	-7.71%	2.82%	5.41%

Bluekurtic's Valuation Model

EPS: $310
P/E: 26
S&P 500: 26 x $310 = $8060

Launch of Netscape

Launch of ChatGPT

Avg P/E Growth: 22.4%

Date	Value
1-Jan-90	15.1
1-Jan-91	15.4
1-Jan-92	25.9
1-Jan-93	22.5
1-Jan-94	21.3
1-Jan-95	14.9
1-Jan-96	18.1
1-Jan-97	19.5
1-Jan-98	24.3
1-Jan-99	32.9
1-Jan-00	29.0
1-Jan-01	27.6
1-Jan-02	46.2
1-Jan-03	31.4
1-Jan-04	22.7
1-Jan-05	20.0
1-Jan-06	18.1
1-Jan-07	17.4
1-Jan-08	21.5
1-Jan-09	70.9
1-Jan-10	20.7
1-Jan-11	16.3
1-Jan-12	14.9
1-Jan-13	17.0
1-Jan-14	18.2
1-Jan-15	20.0
1-Jan-16	22.2
1-Jan-17	23.6
1-Jan-18	25.0
1-Jan-19	19.6
1-Jan-20	24.9
1-Jan-21	36.0
1-Jan-22	23.1
1-Jan-23	22.8
1-Jan-24	25.0
1-Jan-25	28.2
12-Dec-25	30.9

Selloff to Takeoff: The dynamics of a powerful market reversal

● Average Price Path
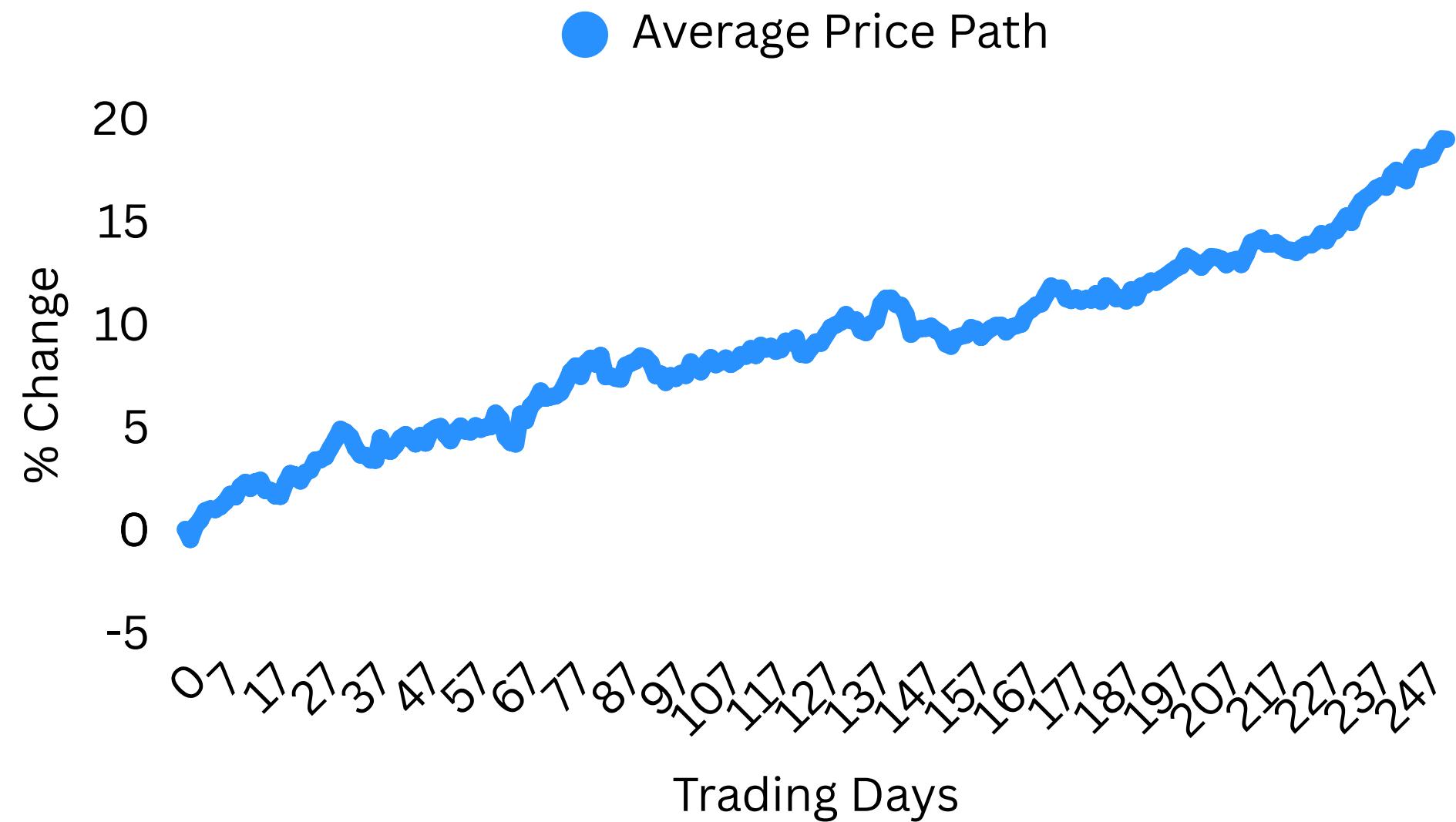
S&P 500 forward performance following a 10%+ year-to-date selloff that reverses into a positive year shows that strong rebound momentum often carries into the following year. In the last four cases, the ultimate yearly peak did not arrive until December.

Avg next year return: 18.91%
Avg max drawdown: -8.75%
Avg max YTD loss: -2.62%

% Change — Trading Days

Since 1970

Year	Year_Return_%	YTD Max Loss	Next Year Return	Next Year Max Loss	Next Year Max Drawdown	Next Year Peak Date	Next Year Days To Peak	Peak Date For Max Drawdown	Trough Date For Max Drawdown	Max Drawdown Peak To Trough Duration
1970	0.10%	-24.73%	10.79%	-2.16%	-13.94%	1971-04-28	80	1971-04-28	1971-11-23	146
1982	14.76%	-16.43%	17.27%	-1.64%	-6.91%	1983-10-10	195	1983-06-22	1983-08-08	32
1984	1.40%	-10.37%	26.33%	-2.13%	-7.66%	1985-12-16	241	1985-07-17	1985-09-25	49
2009	23.45%	-25.10%	12.78%	-8.30%	-15.99%	2010-12-29	249	2010-04-23	2010-07-02	49
2016	9.54%	-10.51%	19.42%	0.00%	-2.80%	2017-12-18	242	2017-03-01	2017-04-13	31
2020	16.26%	-30.75%	26.89%	-1.48%	-5.21%	2021-12-29	249	2021-09-02	2021-10-04	21
2025	16.46%	-15.28%	???	???	???	???	???	???	???	???
Average	10.92%	-19.65%	18.91%	-2.62%	-8.75%		209			55
Median	12.15%	-20.58%	18.35%	-1.89%	-7.29%		242			41
% Positive	100.00%	0.00%	100.00%	0.00%	0.00%					

# Rate Cuts Near ATH: Betting Against the Fed Never Worked

Fed cuts near 2% of ATH delivered 100% positive 12-month returns for S&P 500

| Fed Cut Date	1M Forward Return %	2M Forward Return %	3M Forward Return %	6M Forward Return %	9M Forward Return %	12M Forward Return %	12M Max Loss (Start→Trough) %	12M Max Drawdown (Peak→Trough) %
7/25/80	3.63%	6.57%	5.88%	7.50%	12.17%	7.55%	-0.03%	-9.92%
1/11/83	1.28%	3.75%	6.42%	15.32%	16.85%	15.10%	-3.99%	-6.91%
2/28/83	2.56%	10.06%	9.68%	9.58%	12.48%	5.92%	0.00%	-10.63%
1/15/85	6.32%	3.35%	5.92%	12.83%	8.94%	21.92%	-0.05%	-7.66%
5/20/85	-1.58%	2.44%	-0.86%	4.89%	17.13%	24.45%	-4.78%	-7.66%
3/7/86	1.36%	4.66%	6.38%	10.01%	11.34%	27.81%	0.00%	-9.42%
4/21/86	-3.80%	0.21%	-3.47%	-3.62%	9.44%	19.75%	-6.06%	-9.42%
8/26/86	-8.15%	-5.56%	-1.61%	11.91%	14.35%	32.32%	-9.07%	-9.42%
7/31/89	1.55%	1.38%	-1.65%	-4.91%	-4.42%	2.91%	-6.67%	-10.23%
7/13/90	-7.75%	-13.25%	-17.45%	-14.92%	3.78%	4.11%	-19.56%	-19.92%
3/8/91	0.99%	0.95%	0.97%	3.63%	0.88%	8.07%	-2.23%	-5.60%
8/6/91	-0.39%	-2.85%	-0.17%	5.94%	6.70%	7.67%	-3.94%	-6.24%
10/31/91	-2.82%	6.28%	4.16%	5.73%	8.09%	7.72%	-4.39%	-6.24%
7/2/92	3.23%	1.51%	-0.32%	5.73%	7.19%	8.27%	-2.21%	-5.32%
9/4/92	-2.28%	0.01%	3.59%	7.26%	7.91%	9.94%	-3.46%	-5.32%
7/6/95	1.09%	2.92%	5.14%	11.64%	16.29%	17.79%	-0.54%	-4.58%
1/31/96	0.69%	2.78%	2.85%	0.62%	10.89%	23.61%	-1.47%	-7.64%
7/31/19	-2.49%	-0.12%	1.92%	8.23%	-2.28%	9.76%	-24.93%	-33.92%
9/18/19	-0.68%	3.83%	6.13%	-20.24%	3.61%	10.40%	-25.59%	-33.92%
10/30/19	2.20%	5.73%	7.78%	-4.41%	6.55%	7.33%	-26.56%	-33.92%
9/18/24	4.39%	4.90%	4.52%	-0.06%	6.45%	18.04%	-11.31%	-18.90%
11/7/24	1.34%	-1.07%	0.89%	-5.72%	6.14%	12.65%	-16.58%	-18.90%
12/18/24	3.02%	4.38%	-4.39%	1.85%	12.94%	17.00%	-15.15%	-18.90%
9/17/25	0.96%	1.09%	???	???	???	???	???	???
10/29/25	-1.13%	???	???	???	???	???	???	???
12/10/25	???	???	???	???	???	???	???	???
Average	0.16%	1.86%	1.84%	2.99%	8.41%	13.92%	-8.20%	-13.07%
Median	1.09%	2.78%	2.85%	5.73%	8.09%	10.40%	-4.39%	-9.42%
% Positive	60.87%	78.26%	65.22%	69.57%	91.30%	100.00%	0.00%	0.00%

Stats exclude 9/17/25, 10/29/25 and 12/10/2025 due to insufficient forward data

Rate Cuts Near ATH: Betting Against the Fed Never Worked

Legend: 2025-09-17 | 2025-10-29 | 2025-12-10 | Average

Y-axis: % Change (-10, -5, 0, 5, 10, 15)

X-axis: Trading Days (0, 6, 14, 22, 30, 38, 46, 54, 62, 70, 78, 86, 94, 102, 110, 118, 126, 134, 142, 150, 158, 166, 174, 182, 190, 198, 206, 214, 222, 230, 238, 246)
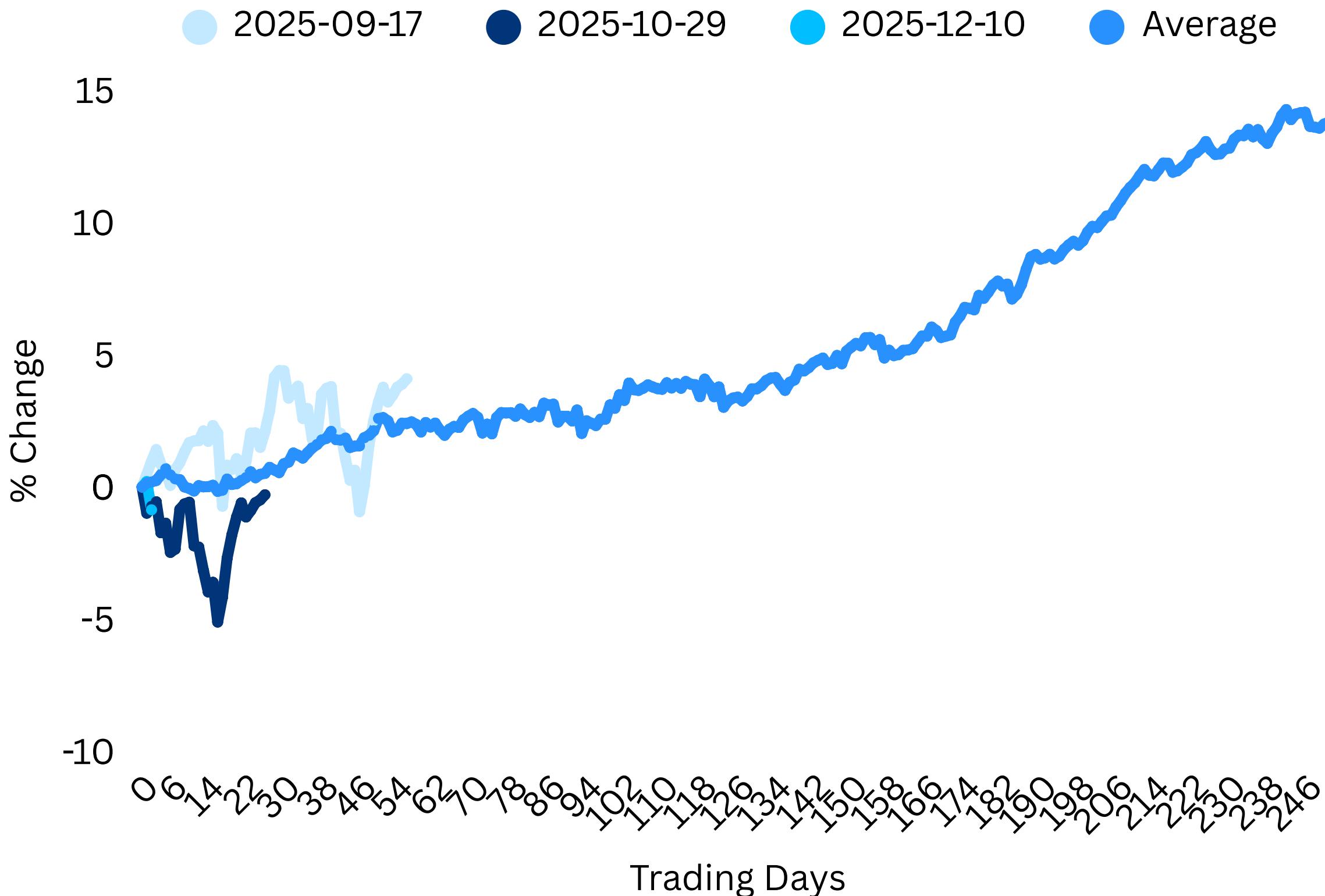
When the Fed cut rates within 2% of all-time highs, the S&P 500 was positive 100% of the time 12 months later, with an average 12-month gain of 13.9% and a 91% positive hit rate by 9 months.

However, these bullish outcomes were not without risk. Average peak-to-trough drawdowns still reached 13.1%, and the average maximum loss from the cut date was 8.2%, underscoring that even in historically bullish policy pivots, volatility and meaningful pullbacks remain part of the journey.

Let's Talk Mid-Term Seasonality...

Annual Max Drawdown Avg: -18.51% **Annual Returns** Avg: 1.25%

The S&P 500 was negative in the last two midterm years, but it has never been negative for three consecutive midterm years.

Annual Returns values: 1958: 38.1%, 1962: -11.8%, 1966: -12.9%, 1970: 0.1%, 1974: -29.7%, 1978: 1.1%, 1982: 14.8%, 1986: 14.6%, 1990: -6.6%, 1994: -1.3%, 1998: 26.7%, 2002: -23.4%, 2006: 13.6%, 2010: 12.8%, 2014: 11.4%, 2018: -6.2%, 2022: -20%

Annual Max Drawdown values: 1958: -4.4%, 1962: -26.9%, 1966: -22.2%, 1970: -25.9%, 1974: -37.6%, 1978: -13.6%, 1982: -16.6%, 1986: -9.4%, 1990: -19.9%, 1994: -8.9%, 1998: -19.3%, 2002: -33.8%, 2006: -7.7%, 2010: -16%, 2014: -7.4%, 2018: -19.8%, 2022: -25.4%

Y-axis: % Change. X-axis: Year (1958 to 2026)

2026 Can Be Better Than An Average Year

● Average For All Mid Term Election Years
Avg Return: 1.25%
Avg Max DD: -18.51%

● Average For Midterm Years of Second Presidential Terms
Avg: 20.93%
Avg Max DD: -9.64%

% Change (y-axis: 25, 20, 15, 10, 5, 0, -5)

Trading Days (x-axis)
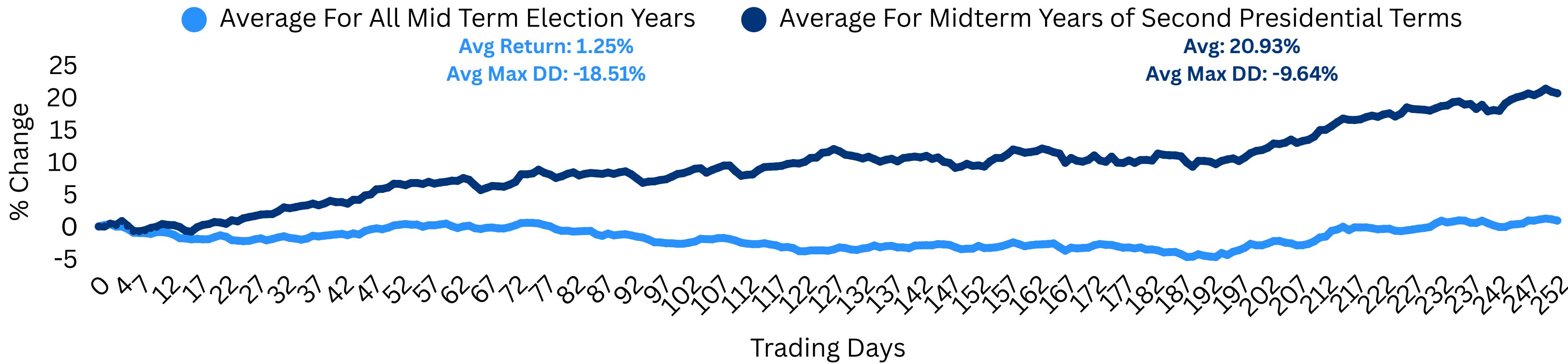
S&P 500 Performance in Midterm Years During a President's Second Term

Year	Return For the Year	Max Drawdown For The Year	Max Year-To-Date Loss	President	Party
1958	38.06%	-4.36%	0.00%	Dwight D. Eisenhower	Republican
1986	14.62%	-9.42%	-3.69%	Ronald Reagan	Republican
1998	26.67%	-19.34%	-4.40%	Bill Clinton	Democrat
2006	13.62%	-7.70%	-1.97%	George W. Bush	Republican
2014	11.39%	-7.40%	-5.76%	Barack Obama	Democrat
2026	???	???	???	Donald Trump	Republican

A second presidential midterm year has never been negative.

This analysis excludes President Lyndon B. Johnson and President Gerald Ford, as both assumed office under non-electoral transitions from President John F. Kennedy and President Richard Nixon, respectively.

S&P 500's 2026 Target: A Weight-of-Evidence View

Price Traget = Average Price Of All Our Models

S&P 500 2026 Target = 8,100

Assuming 7,000 by end of 2025;
Yield Model: 17.9% = 8,253
Valuation Model: 8,060
Reversal Model: 18.9% = 8,323
Fed Model: 13.9% = 7,973
Midterm Seasonality Model: Average of All Midterm Years + Second Presidential Midterm Years = 11.0% = 7,770

Let's Talk Drawdowns

I gotta get over this fear of heights

i'm a squirrel for godsake!

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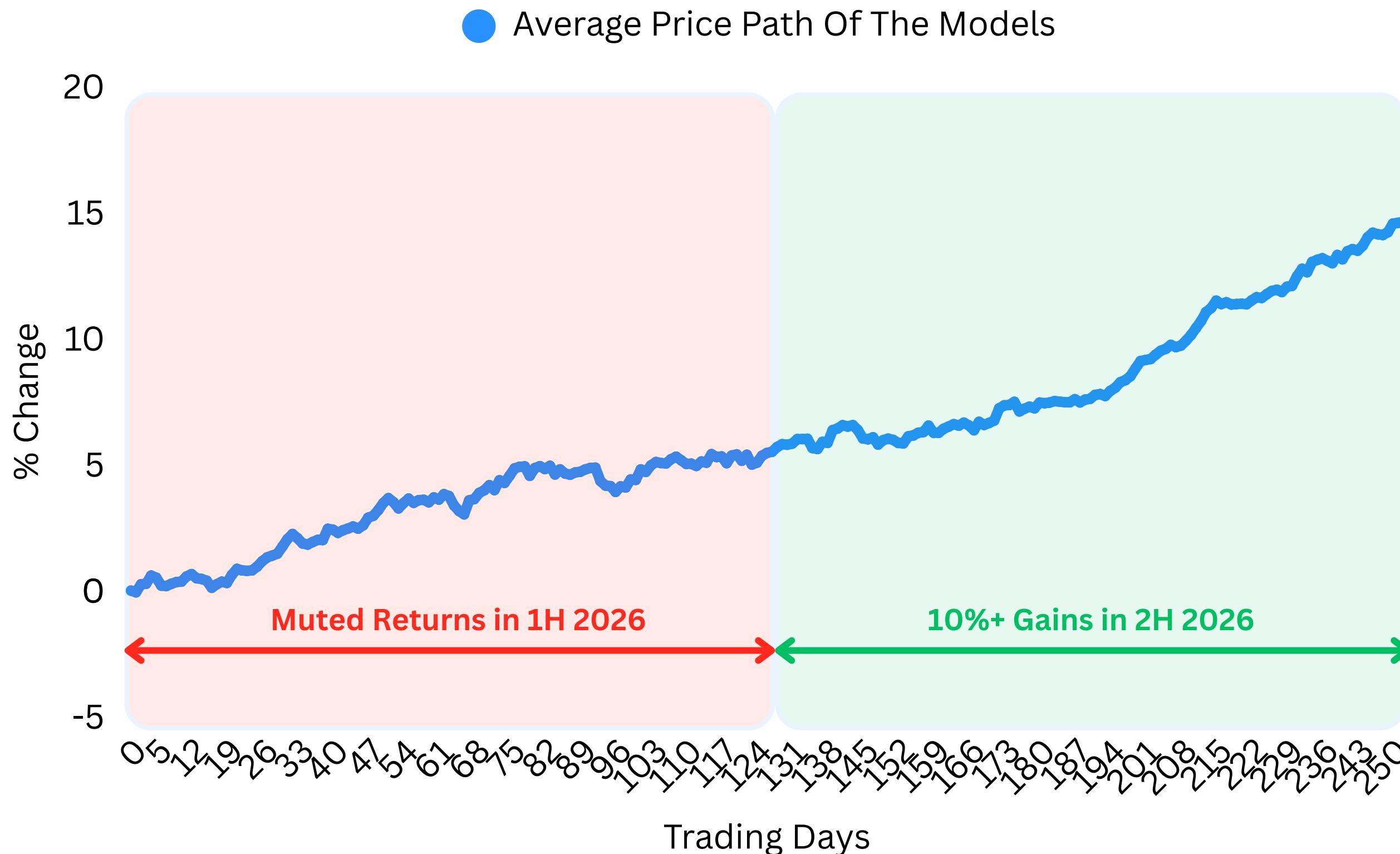
Drawdowns Are the Cost of Compounding

01/01/2023 - 12/12/2025
NVDA
% Change: 1100%

10%+ Drawdowns: 8

-15.5%
Now

-36.9%
Apr 2025

01/01/2023 - 12/12/2025
S&P 500
% Change: 78%

10%+ Drawdowns: 2

-1.1%
Now

-18.8%
Apr 2025
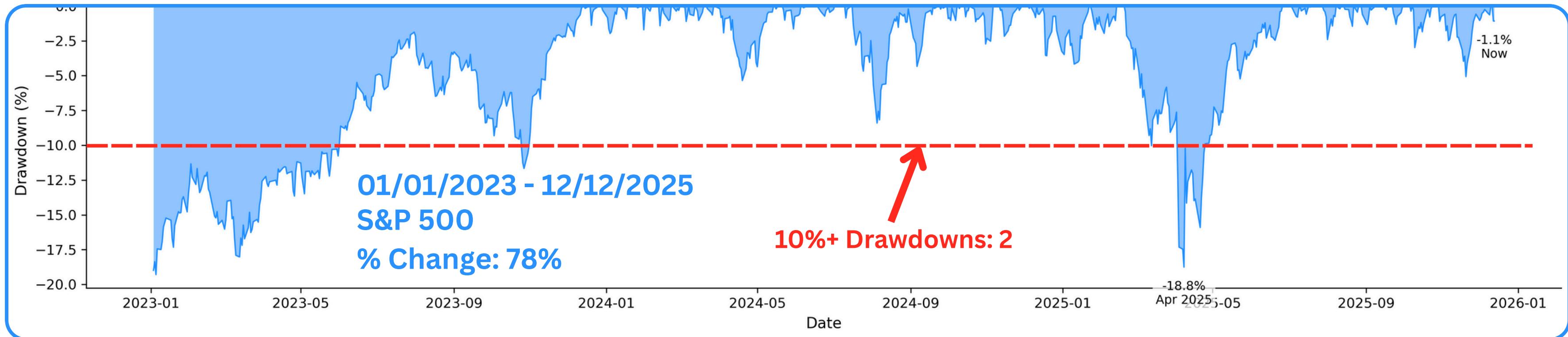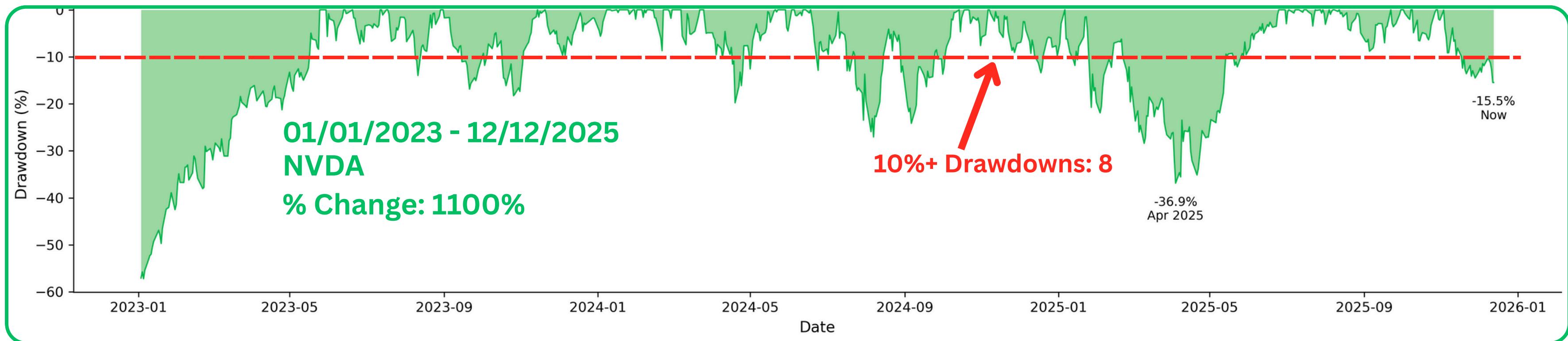
Extended Momentum, Limited Giveback

S&P 500: 7-Month+ Winning Streak

Consecutive Positive Months
Threshold = 7 months
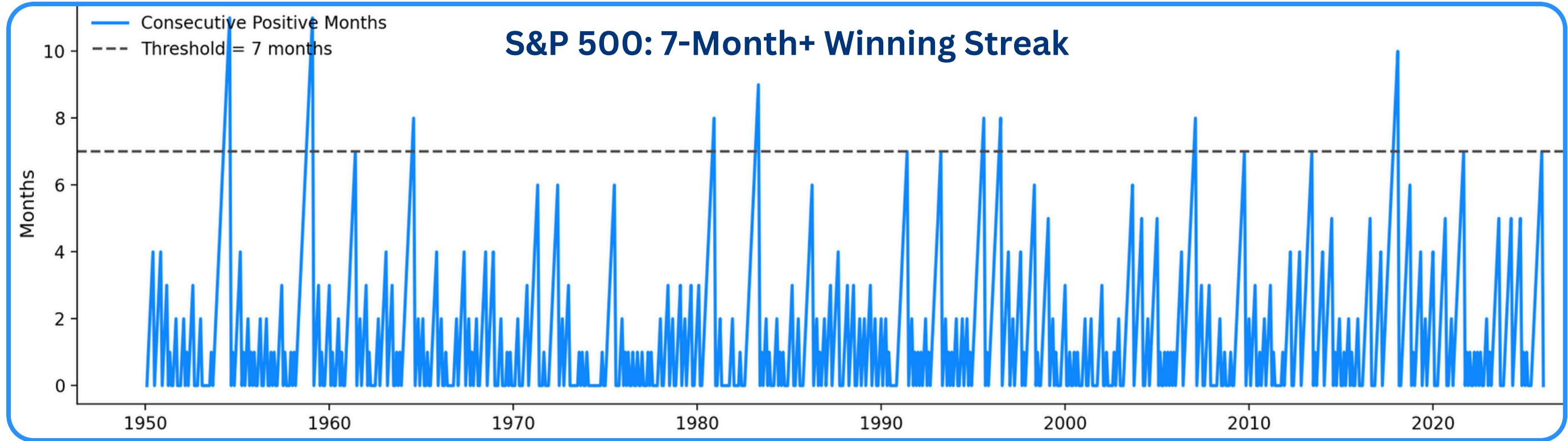
Across 15 prior instances when the S&P 500 recorded a 7+ month winning streak, the average maximum drawdown over the following 12 months was just 11.5%. Only 2 cases experienced a correction greater than 20%.

Our base case projects a 10–15% drawdown; however, downside risks appear limited relative to upside potential. A drawdown of less than 10% is also a reasonable alternative outcome.

Streak Start	Streak End	Streak Length	Base Date For Forward Stats	1M % Change	2M % Change	3M % Change	6M % Change	9M % Change	12M % Change	12M Max Loss Since Base Date	12M Max Drawdown
1953-09-30	1954-08-31	11	3/31/54	4.90%	8.35%	8.43%	19.93%	33.56%	35.78%	0.26%	-6.82%
1958-03-31	1959-02-28	11	9/30/58	2.42%	5.25%	9.73%	10.77%	16.80%	13.62%	-0.16%	-9.17%
1960-11-30	1961-06-30	7	5/31/61	-2.88%	0.30%	2.27%	7.15%	5.11%	-10.41%	-16.62%	-23.60%
1963-12-31	1964-08-31	8	6/30/64	1.71%	0.17%	3.05%	3.20%	5.52%	2.97%	-0.45%	-9.60%
1980-04-30	1980-12-31	8	10/31/80	7.64%	6.50%	-0.44%	4.19%	2.71%	-2.57%	-11.53%	-19.75%
1982-08-31	1983-05-31	9	2/28/83	2.56%	10.06%	9.68%	9.58%	12.48%	5.92%	1.03%	-10.63%
1990-11-30	1991-06-30	7	5/31/91	-3.06%	-0.52%	0.60%	-2.16%	5.80%	7.05%	-4.92%	-6.24%
1992-09-30	1993-04-30	7	3/31/93	-2.54%	0.48%	-0.25%	1.61%	3.27%	-1.31%	-4.01%	-6.12%
1994-12-31	1995-08-31	8	6/30/95	3.18%	2.97%	6.79%	13.95%	20.01%	24.07%	0.43%	-4.58%
1995-11-30	1996-07-31	8	5/31/96	1.01%	-4.36%	-2.15%	13.07%	18.19%	26.49%	-6.35%	-9.63%
2006-06-30	2007-02-28	8	1/3/07	1.53%	-0.69%	0.56%	7.26%	9.21%	3.65%	-3.00%	-10.09%
2009-03-31	2009-10-31	7	9/30/09	-1.98%	3.65%	6.56%	10.99%	-2.49%	7.96%	-3.26%	-15.99%
2012-11-30	2013-06-30	7	5/31/13	-0.97%	3.37%	0.55%	10.43%	14.02%	18.04%	-3.54%	-5.76%
2017-04-30	2018-02-28	10	10/31/17	2.81%	4.68%	9.65%	2.83%	9.36%	5.30%	-0.41%	-10.16%
2021-02-28	2021-09-30	7	8/31/21	-4.76%	2.01%	0.98%	-3.29%	-8.63%	-12.55%	-18.92%	-23.55%
2025-11-30	???	7*	???	???	???	???	???	???	???	???	???
			Average	0.77%	2.82%	3.73%	7.30%	9.66%	8.27%	-4.76%	-11.45%
			Median	1.53%	2.97%	2.27%	7.26%	9.21%	5.92%	-3.26%	-9.63%
			% Positive	60.00%	80.00%	80.00%	86.67%	86.67%	73.33%	-	-

When Do Drawdowns Occur During Mid Term Years?

Midterm Years of Second Presidential Terms

All Midterm Years

| Year	Max DD Peak Date	Max DD Trough Date	Year Peak Date	Max Drawdown Peak	Year Peak	Max DD	Days From Peak To Trough	Days From Trough To Recovery	Recovery Date	Days To Year Peak	Year % Return
1958	1958-02-04	1958-02-25	1958-12-31	Q1	Q4	-4.36%	15	10	1958-03-11	251	38.06%
1962	1962-01-03	1962-06-26	1962-01-03	Q1	Q1	-26.44%	121			1	-11.81%
1966	1966-02-09	1966-10-07	1966-02-09	Q1	Q1	-22.18%	167			27	-13.09%
1970	1970-01-05	1970-05-26	1970-01-05	Q1	Q1	-25.86%	99			1	0.10%
1974	1974-01-03	1974-10-03	1974-01-03	Q1	Q1	-37.60%	190			1	-29.72%
1978	1978-09-12	1978-11-14	1978-09-12	Q3	Q3	-13.55%	45			175	1.06%
1982	1982-01-04	1982-08-12	1982-11-09	Q1	Q4	-16.56%	154	22	1982-09-14	216	14.76%
1986	1986-09-04	1986-09-29	1986-12-02	Q3	Q4	-9.42%	17	45	1986-12-02	232	14.62%
1990	1990-07-16	1990-10-11	1990-07-16	Q3	Q3	-19.92%	62			135	-6.56%
1994	1994-02-02	1994-04-04	1994-02-02	Q1	Q1	-8.94%	41			22	-1.54%
1998	1998-07-17	1998-08-31	1998-12-29	Q3	Q4	-19.34%	31	59	1998-11-23	249	26.67%
2002	2002-01-04	2002-10-09	2002-01-04	Q1	Q1	-33.75%	192			2	-23.37%
2006	2006-05-05	2006-06-13	2006-12-15	Q2	Q4	-7.70%	26	72	2006-09-25	241	13.62%
2010	2010-04-23	2010-07-02	2010-12-29	Q2	Q4	-15.99%	49	87	2010-11-04	249	12.78%
2014	2014-09-18	2014-10-15	2014-12-29	Q3	Q4	-7.40%	19	12	2014-10-31	249	11.39%
2018	2018-09-20	2018-12-24	2018-09-20	Q3	Q3	-19.78%	65			181	-6.24%
2022	2022-01-03	2022-10-12	2022-01-03	Q1	Q1	-25.43%	195			0	-19.44%

Mid term years tend to be weak. But not when it is during a second presidential term.

● Peak Quarter Leading Into Max Drawdown (All Mid Terms)

- Q1: 9
- Q2: 2
- Q3: 6
- Q4: 0
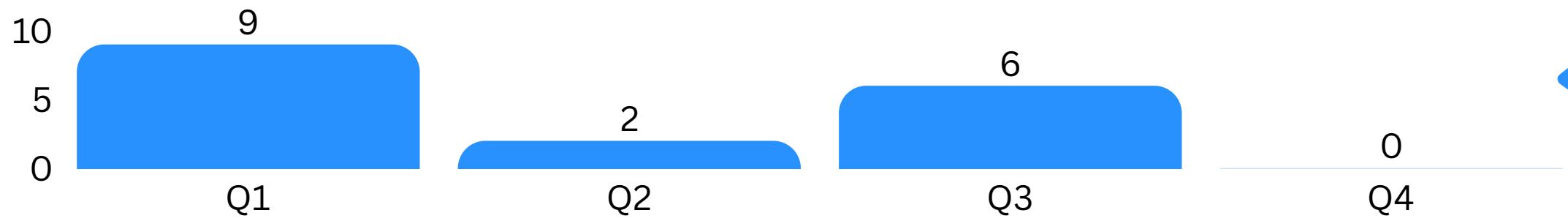
9 of the 17 drawdowns occurred in Q1 of midterm years.
11 of the 17 drawdowns occurred in the first half of the year.

● Peak Quarter During the Second Presidential Midterm Year

- Q1: 0
- Q2: 0
- Q3: 0
- Q4: 5
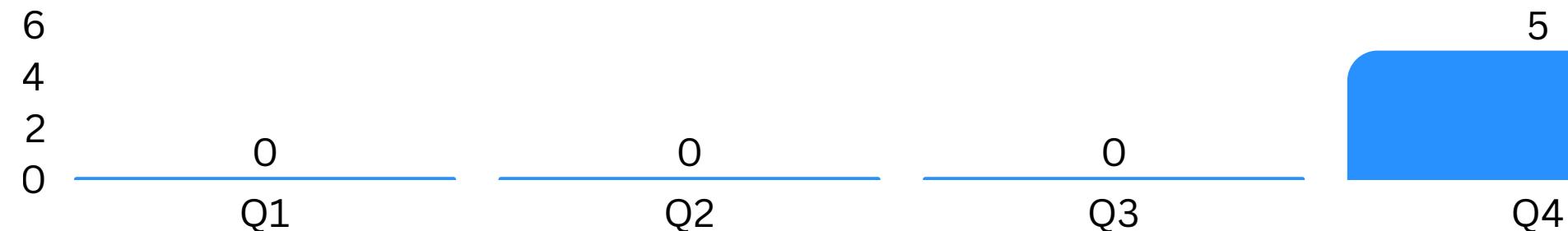
During a second presidential midterm year, the market has never peaked before Q4.
So even with a drawdown peak in 1H 2026, we expect the market to rally into year-end.

Big Runs, Smaller Pullbacks

S&P 500 gains 92%+ in 793 Days (First Time in Six Months)
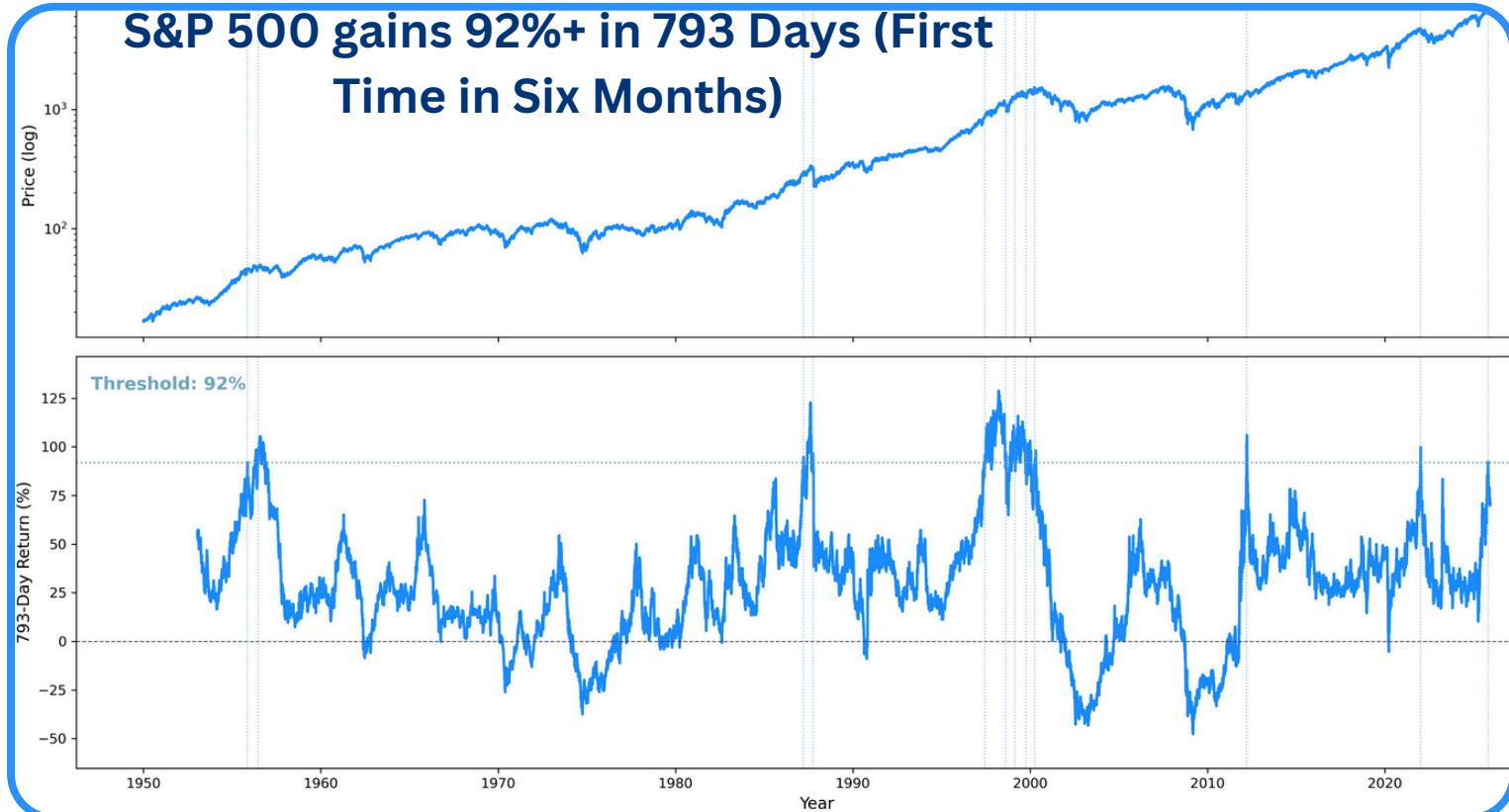
In every case, it took less than 126 trading days (about six months) for the market to begin its maximum-drawdown peak.

In cases where the 12-month return was positive (our base case for 2026), the 12-month max drawdown was always above 10% but never exceeded 15%. After a strong run in a bull market, equities typically cool off but rarely enter a full correction with 20%+ drawdowns.

Rolling Returns From the October Trough to 12/11: 92%+ in 793 Days (First Case in Six Months)

Event Date	Event Return %	1M Return %	2M Return %	3M Return %	6M Return %	9M Return %	12M Return %	12M Max Loss (Start→Trough) %	12M Max DD (Peak→Trough)	Days to 12M Peak (Trading Days)
3/23/87	94.84%	-4.76%	-6.31%	2.41%	6.65%	-15.94%	-10.71%	-25.65%	-33.51%	111
10/1/87	93.84%	-21.87%	-29.12%	-24.52%	-20.91%	-16.97%	-17.09%	-31.59%	-31.75%	2
6/12/97	93.18%	3.95%	4.88%	4.58%	7.92%	21.11%	24.38%	-0.73%	-10.80%	83
8/12/98	92.60%	-5.03%	-7.98%	3.09%	13.46%	25.80%	19.73%	-11.71%	-13.07%	4
2/22/99	95.73%	1.95%	6.81%	2.71%	6.92%	11.70%	6.29%	-3.67%	-12.08%	104
10/6/99	92.92%	3.89%	7.39%	5.89%	13.27%	9.90%	6.31%	-5.88%	-11.19%	122
4/7/00	92.17%	-6.08%	-2.97%	-2.47%	-7.54%	-14.54%	-24.98%	-26.30%	-26.51%	105
3/15/12	100.14%	-2.35%	-5.13%	-4.26%	4.18%	1.98%	11.27%	-8.88%	-9.94%	12
1/4/22	94.27%	-6.11%	-9.69%	-4.40%	-20.20%	-20.92%	-19.62%	-25.38%	-25.38%	0
10/27/25	92.20%	-0.91%								
All Cases — Average		-4.04%	-4.68%	-1.89%	0.42%	0.24%	-0.49%	-15.53%	-19.36%	60
All Cases — Median		-3.56%	-5.13%	2.41%	6.65%	1.98%	6.29%	-11.71%	-13.07%	83
All Cases — % Positive		33.33%	33.33%	55.56%	66.67%	55.56%	55.56%	0.00%	0.00%	
When 12M % Change is positive — Average		1.19%	2.77%	4.07%	10.39%	17.13%	14.18%	-5.50%	-11.78%	78
When 12M % Change is positive — Median		2.92%	5.84%	3.83%	10.59%	16.40%	13.02%	-4.78%	-11.63%	94
When 12M % Change is positive — % Positive		60.00%	60.00%	80.00%	100.00%	100.00%	100.00%	0.00%	0.00%	

Key Signals Pointing to a 1H 2026 Drawdown

# S&P 500's 2026 Target: A Weight-of-Evidence View

● Average Price Path Of The Models

Weaker 1H 2026 With the Year's Max Drawdown Peak in 1H. Expected Drawdown: 10%–15%

Stronger 2H 2026. Over 2/3rd of the gains could be concentrated in 2H

S&P 500 2026 Target = 8100

Muted Returns in 1H 2026

10%+ Gains in 2H 2026

% Change

20

15

10

5

0

-5

Trading Days
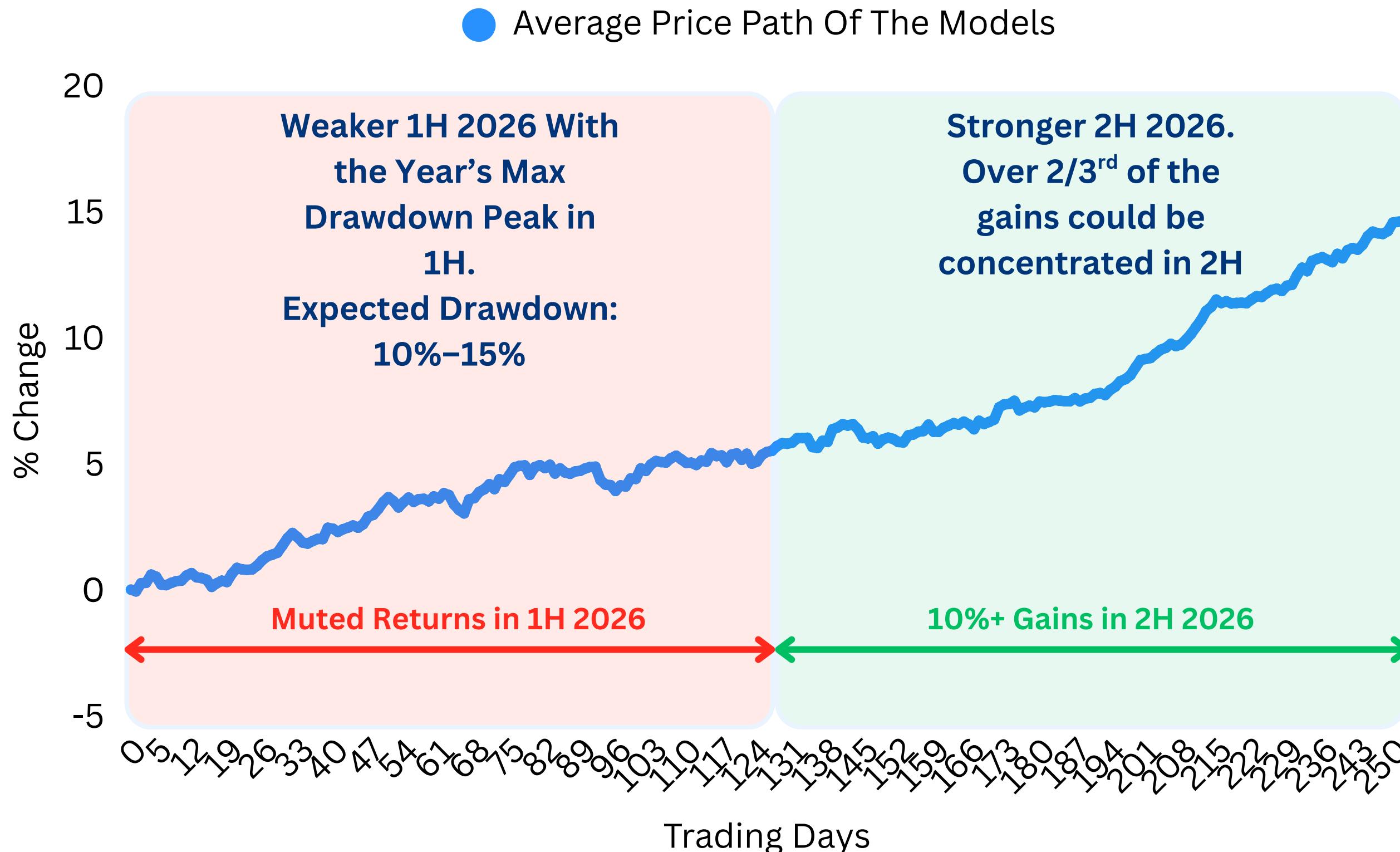
05 12 19 26 33 40 47 54 61 68 75 82 89 96 103 110 117 124 131 138 145 152 159 166 173 180 187 194 201 208 215 222 229 236 243 250

When It Moves, It Moves Fast

Since 1950, the S&P 500's best and worst single-day moves fell within one month of each other 32 out of 72 times.

Year (y-axis): 1960, 1980, 2000, 2020

Gap Between the Best and Worst Day of the Year (x-axis): 0, 20, 40, 60, 80, 100, 120, 140, 160, 180, 200, 220, 240
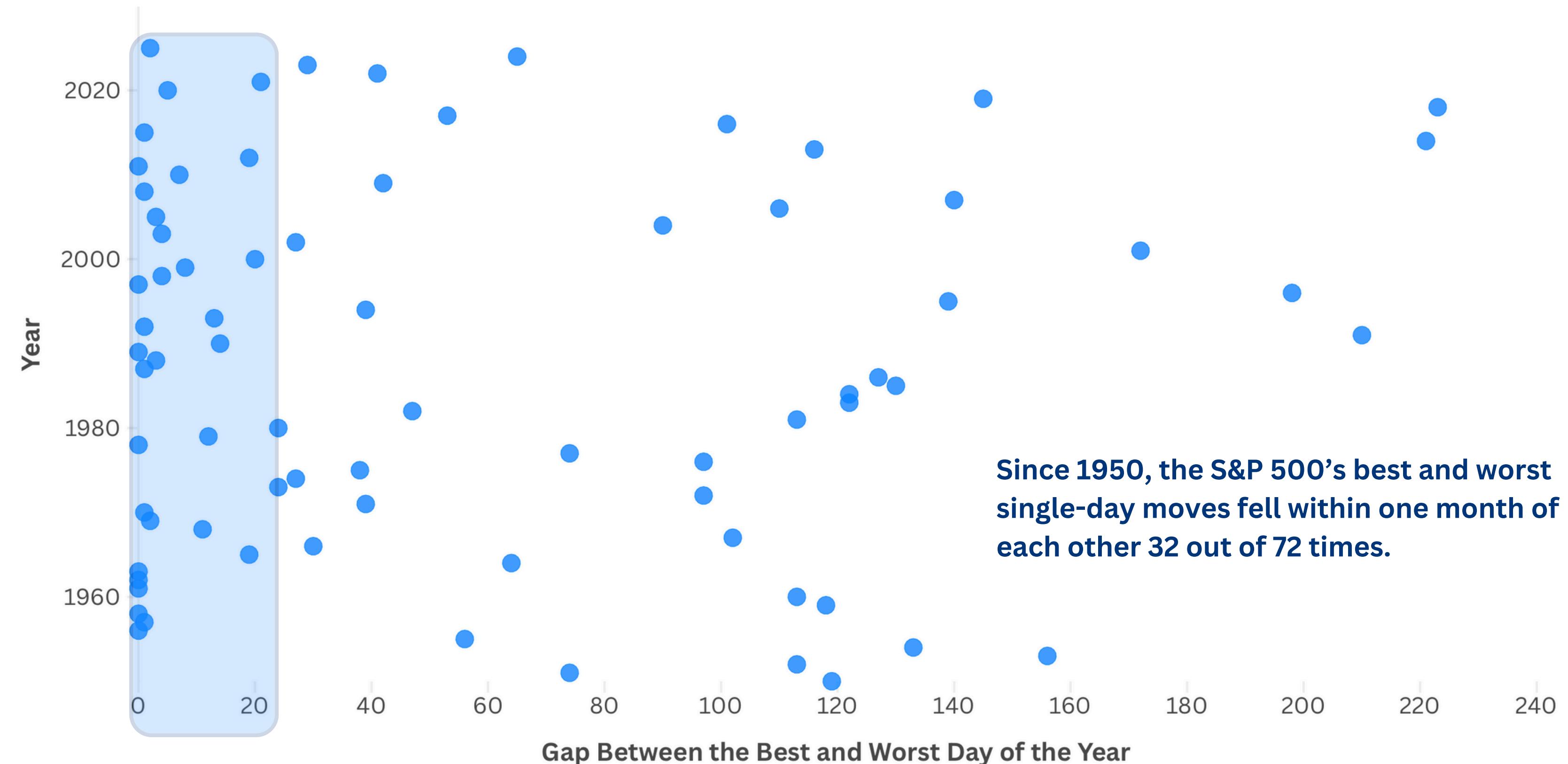
Timing Mistakes Are Expensive

Legend: ● Best Rolling 5 Day Returns   ● Returns Excluding Best 5 Rolling Days   ● Total Return

Time in the Market Beats Timing the Market

Period	Best Rolling 5 Day Returns	Returns Excluding Best 5 Rolling Days	Total Return
1950-2025	6.12%	3.30%	9.37%
Last 50 Years	6.54%	3.57%	10.07%
Last 25 Years	7.06%	1.16%	7.87%
Last 10 Years	6.74%	6.82%	13.83%
Last 5 Years	6.18%	7.80%	14.33%
2025	8.31%	7.42%	16.34%

Strategic Asset Allocation: Where to Lean In and Where to Step Back

Beating the Yardsticks: Model vs. Strategic Benchmarks

Model Benchmark

Equities 80 · U.S. Large Cap 36.8 · U.S. Mid Cap 10.4 · Developing Markets 12 · Emerging Markets 16 · U.S. Small Cap 4.8 · Fixed Income 15 · U.S. Fixed Income 10 · Alternatives 5 · Commodities 3 · Crypto Currency 2

Strategic Benchmark

Equities 85% · U.S. Large Cap 51.28% · U.S. Mid Cap 10.4% · Developing Markets 9% · Emerging Markets 11% · U.S. Small Cap 3.32% · Alternatives 10% · Commodities 6% · Crypto Currency 4% · Fixed Income 5% · U.S. Fixed Income 2%
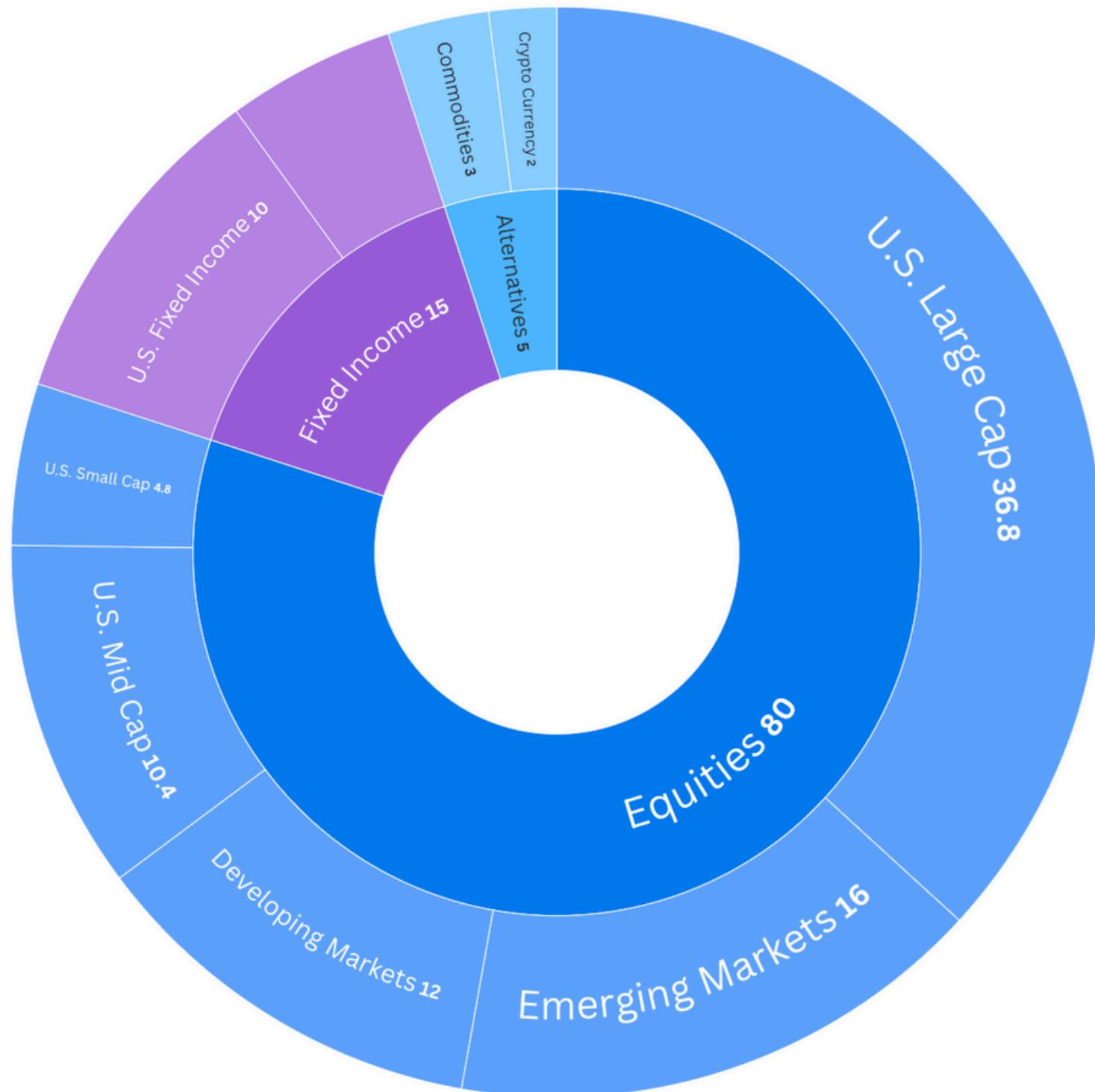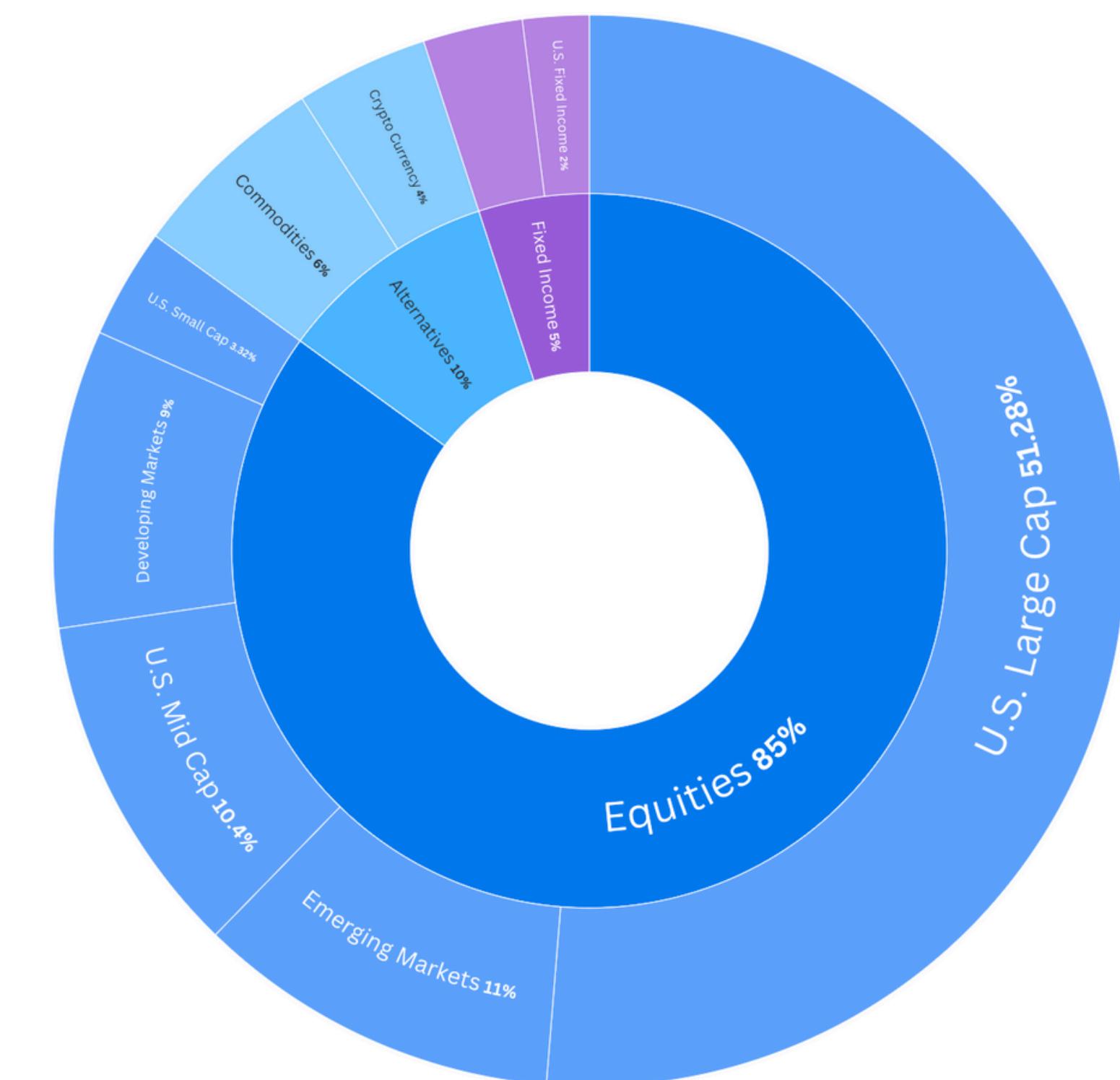
Model Benchmark vs. Strategic Benchmark

Asset Class	Allocation	Benchmark	Strategic Benchmark	Over Weight/ Under Weight
Equities	U.S. Large Cap	36.80%	51.28%	+14.48%
	U.S. Mid Cap	10.40%	10.40%	+0.00%
	U.S. Small Cap	4.80%	3.32%	-1.48%
	Developed Markets	16.00%	11.00%	-5.00%
	Emerging Markets	12.00%	9.00%	-3.00%
Alternatives	Crypto Currency	2.00%	4.00%	+2.00%
	Commodities	3.00%	6.00%	+3.00%
Fixed Income	U.S.	10.00%	2.00%	-8.00%
	International	5.00%	3.00%	-2.00%
Summary	Equities	80.00%	85.00%	+5.00%
	Alternatives	5.00%	10.00%	+5.00%
	Fixed Income	15.00%	5.00%	-10.00%

Overweight:
U.S. Large Cap
Crypto
Commodities

Market Weight:
U.S. Mid Cap

Underweight:
U.S. Small Caps
Developed Market Equities
Emerging Market Equities
U.S. Fixed Income
International Fixed Income

Model Benchmark vs. Strategic Benchmark
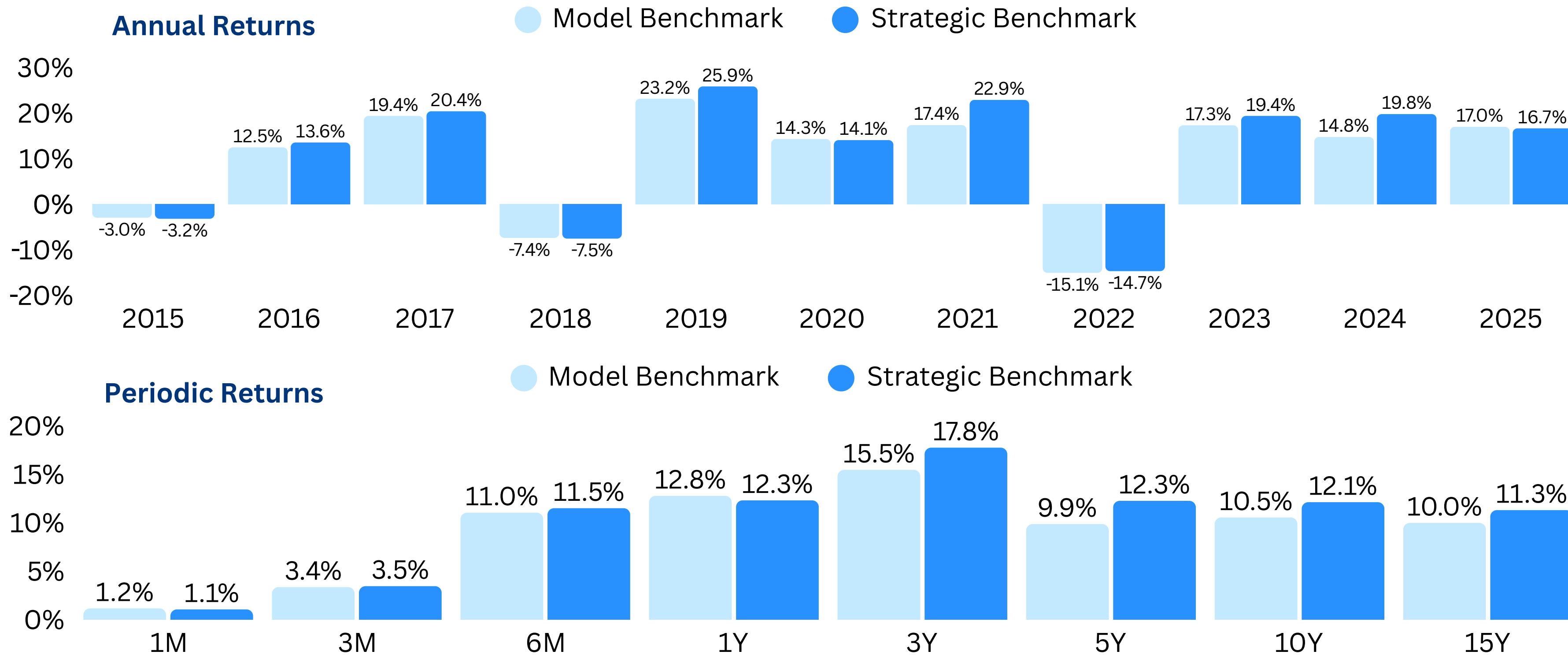
Annual Returns

● Model Benchmark ● Strategic Benchmark

Year	Model Benchmark	Strategic Benchmark
2015	-3.0%	-3.2%
2016	12.5%	13.6%
2017	19.4%	20.4%
2018	-7.4%	-7.5%
2019	23.2%	25.9%
2020	14.3%	14.1%
2021	17.4%	22.9%
2022	-15.1%	-14.7%
2023	17.3%	19.4%
2024	14.8%	19.8%
2025	17.0%	16.7%

Periodic Returns

● Model Benchmark ● Strategic Benchmark

Period	Model Benchmark	Strategic Benchmark
1M	1.2%	1.1%
3M	3.4%	3.5%
6M	11.0%	11.5%
1Y	12.8%	12.3%
3Y	15.5%	17.8%
5Y	9.9%	12.3%
10Y	10.5%	12.1%
15Y	10.0%	11.3%

For assets with insufficient historical data, performance is estimated using appropriate benchmarks or proxies.

Favoring U.S. Equities in Our Global Allocation: The AI Play

AI Buildout Is U.S. Centric

BlackRock estimates $5–8 trillion in global AI capex through 2030, with the majority concentrated in U.S. hyperscalers (Microsoft, Nvidia, Meta, Amazon, Google).

Why this favors the U.S.:

The AI builders are overwhelmingly U.S. listed firms
The revenue pools, margins, and IP ownership accrue primarily to U.S. equities
International markets participate in AI adoption — but not in AI profit capture

Top 10 Countries By AI Investment

Country	Total Investment ($ Billions)
United States	470.9
China	119.3
United Kingdom	28.2
Canada	15.3
Israel	15.1
Germany	11.4
India	11.2
South Korea	9.0
Singapore	7.3

Total Investment ($ Billions)
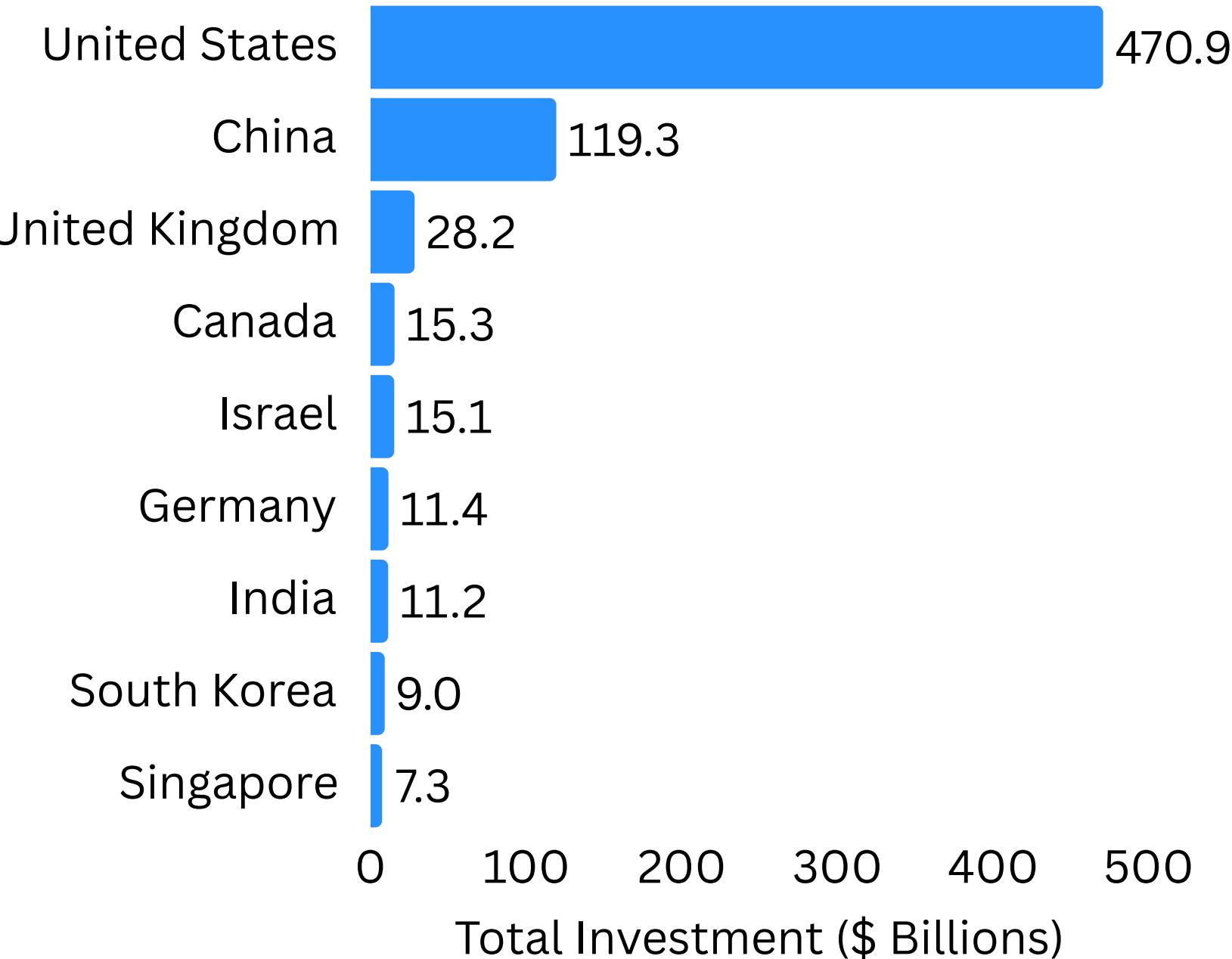
Data as of April 2025, current affairs, visual capitalist

Bubble? Not Yet.

Bubble? Not Yet.

Volatility comparison: In the years leading into the tech bubble (1995–1999), the Nasdaq-100 experienced ~50% more daily ±1% moves than during the 2023–2025 AI-driven rally.

Bubble phases are typically marked by rising volatility and frequent large daily swings as speculation accelerates. The recent rally has been characterized by lower day-to-day volatility, suggesting institutional accumulation rather than speculative excess.

Nasdaq-100: Daily ±1% Moves
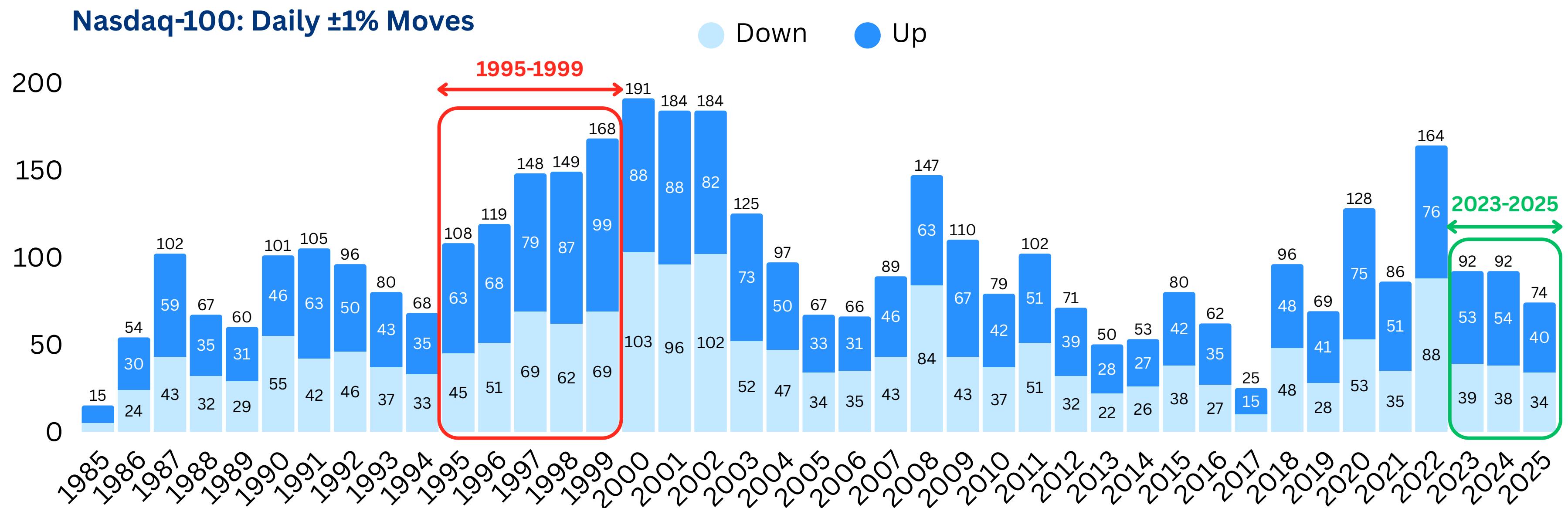
Reset Complete, Bubble Deferred

Nasdaq-100: Annual % Change

Nasdaq-100: Days in Overbought Zone (RSI ≥ 70)

1995-1999

0 days 2002

Positive Every Year
5 Years

0 days 2008

Positive Every Year
5 Years

0 days 2022

???
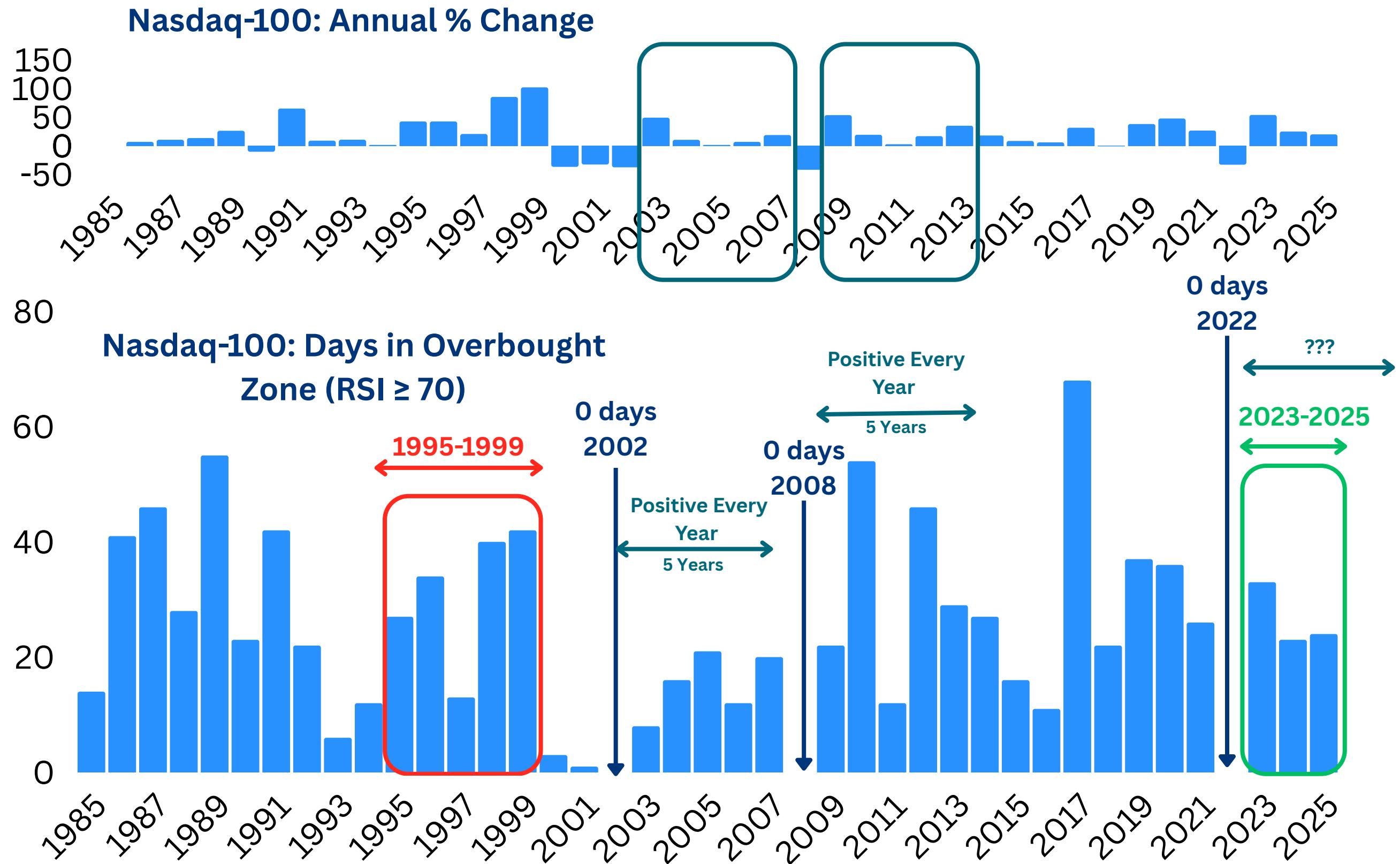
2023-2025

AI bubble comparison: In the run-up to the late-1990s tech bubble (1995–1999), the Nasdaq spent ~30% more trading days in overbought territory than it has during the 2023–2025 AI-driven rally.

Rare reset years matter: The Nasdaq spent zero days overbought in 2022. A rare occurrence previously seen only in 2002 and 2008. After both 2002 and 2008, the Nasdaq delivered five consecutive positive years.

Favoring U.S. Equities in Our Global Allocation: "Transitory" Inflation
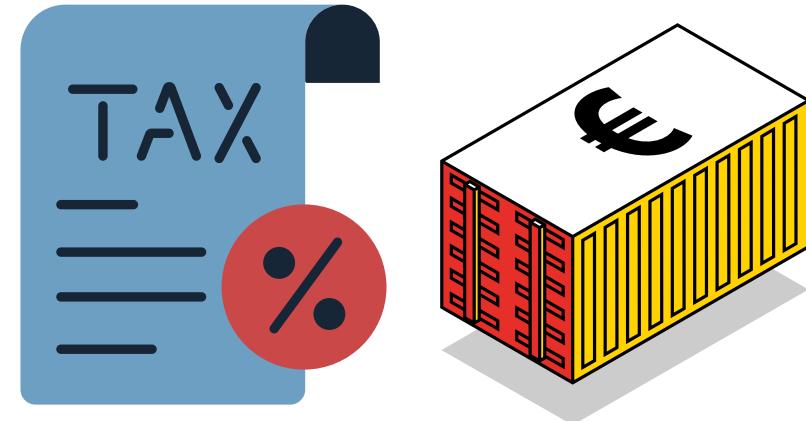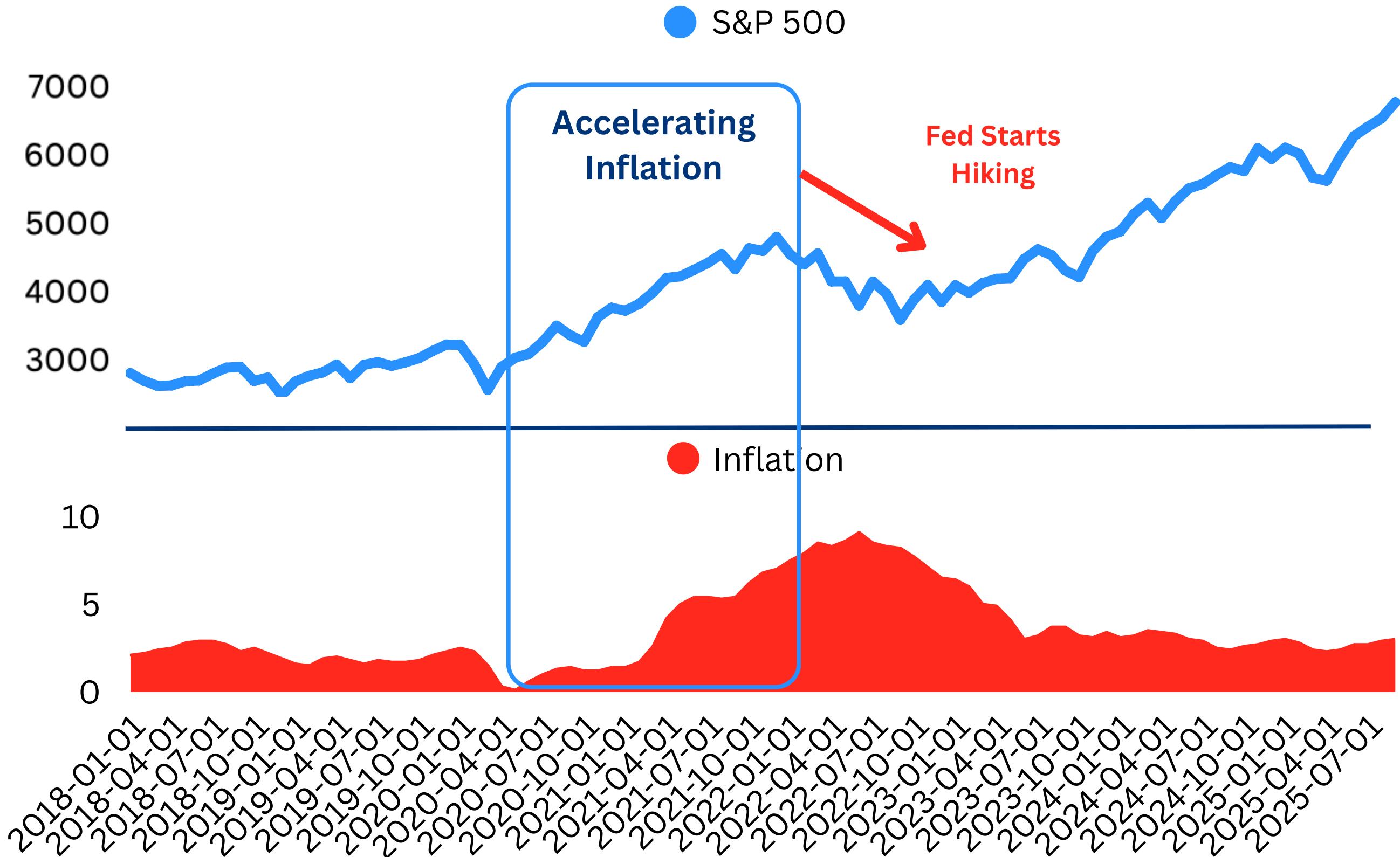
We expect inflation to rise in 2026, but we believe it will remain transitory.

Rising inflation without accompanying rate hikes can be supportive for equity markets.

It lifts nominal revenues and earnings, helping companies grow into valuations.

Dovish Fed: A Tailwind for U.S. Equities

FOMC: 12/10/2025

December 10, 2025 — Chair Powell's Press Conference — PRELIMINARY

**Transcript of Chair Powell's Press Conference
December 10, 2025**

CHAIR POWELL. So I don't think that a rate hike is anybody's base as the next thing -- is anybody's base case at this point. And I'm not hearing that. What you see is some people feel we should stop here and that we're at the right place and just wait. Some people feel like we should cut once or more this year and next year. But the -- but, when people are writing down their estimates of policy of where it should go, it is either holding here or cutting a little or cutting them more than a little. So I don't see that as -- I don't see the base case as involving that. So -- and, of course, you know, a dataset of two, now three, is not a big dataset. But you are right about those two three-cut times in the '90s.

Staying with the Giants: Large Caps Still in the Lead

Rate Cuts → Lower Yields → Weaker Dollar → Stronger Foreign Revenues → Higher Earnings → Higher Equity Prices


Legend: ● U.S. Revenue ● Other Countries Revenue

Bar chart — $ Million (LTM Revenue):

Ticker	U.S. Revenue	Other Countries Revenue	Total
NVDA			$130,497
AAPL	$178,353	$237,808	$416,161
MSFT	$150,710	$143,102	$293,812
AMZN	$414,808	$276,522	$691,330
GOOGL	$186,160	$199,317	$385,477
AVGO			$59,926
META	$115,124		$189,457
TSLA			$95,633
NFLX			$62,512

Pie chart:
- Other Countries 50.5%
- U.S. 49.5%
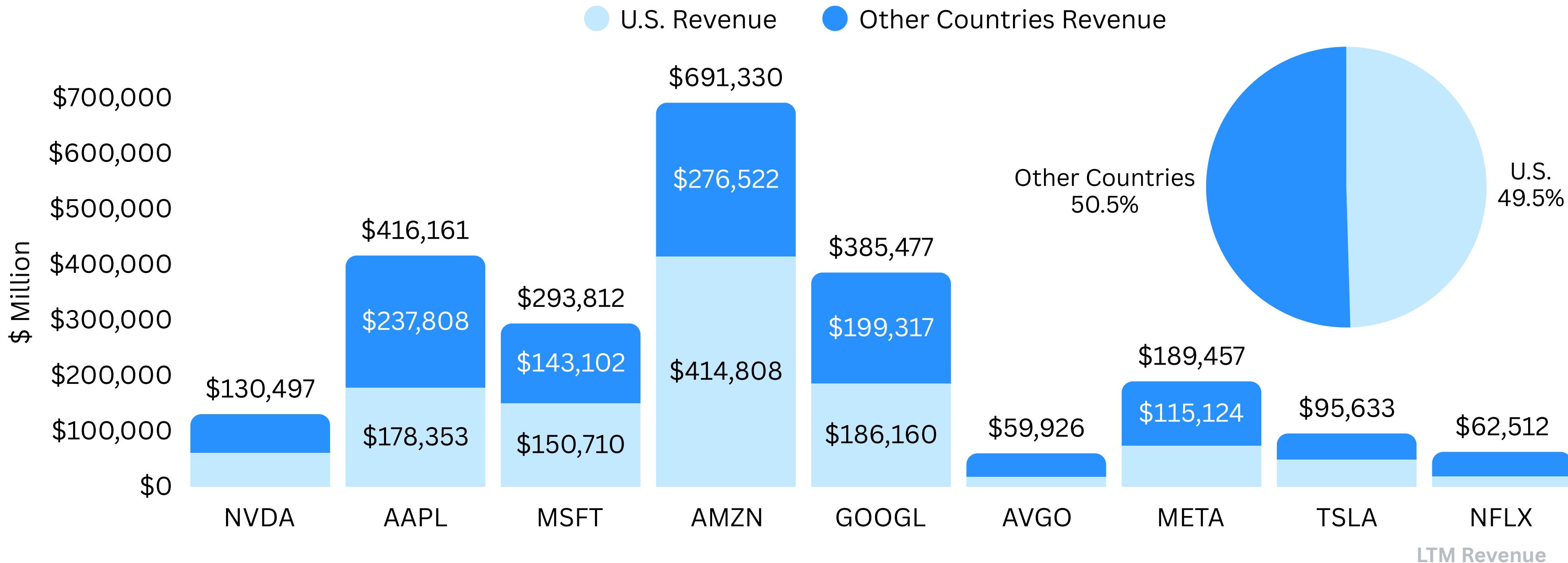
Rotation Stays Up the Market-Cap Curve
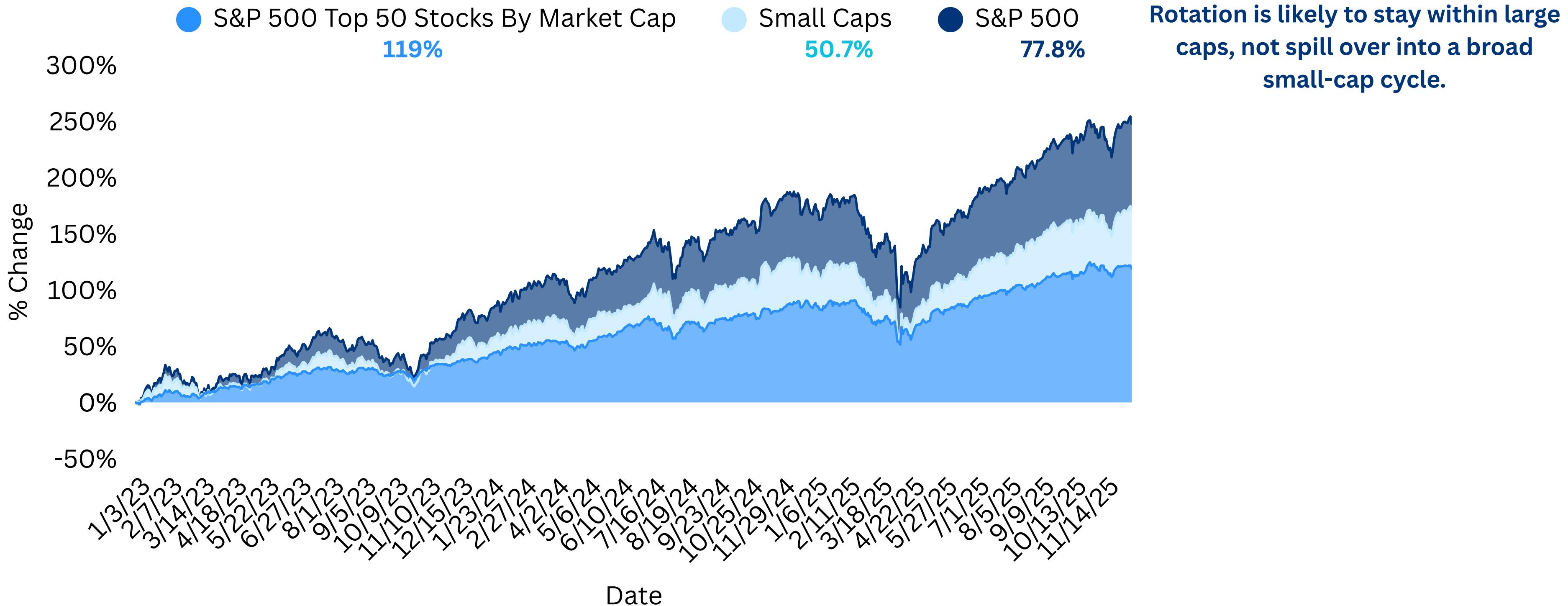
● S&P 500 Top 50 Stocks By Market Cap — **119%**   **● Small Caps** — **50.7%**   **● S&P 500** — **77.8%**

Rotation is likely to stay within large caps, not spill over into a broad small-cap cycle.

Y-axis: % Change — 300%, 250%, 200%, 150%, 100%, 50%, 0%, -50%

X-axis (Date): 1/3/23, 2/7/23, 3/14/23, 4/18/23, 5/22/23, 6/27/23, 8/1/23, 9/5/23, 10/9/23, 11/10/23, 12/15/23, 1/23/24, 2/27/24, 4/2/24, 5/6/24, 6/10/24, 7/16/24, 8/19/24, 9/23/24, 10/25/24, 11/29/24, 1/6/25, 2/11/25, 3/18/25, 4/22/25, 5/27/25, 7/1/25, 8/5/25, 9/9/25, 10/13/25, 11/14/25

Date

The Innovation Cycle Playbook: Large Caps Lead Until the Shakeout

Netscape/Internet Era
1994 - 2000

ChatGPT/AI Boom
Current

Post '00 Tech Bubble
Small Caps
Outperformance Relative
To S&P 500

Large Caps outperformance relative to Small Caps

2023	2024	2025
7.9%	12.0%	1.5%

(y-axis: S&P 500/Russell 2000, values 1.5 to 3.5; x-axis dates 1987-06-01 through 2024-12-02)
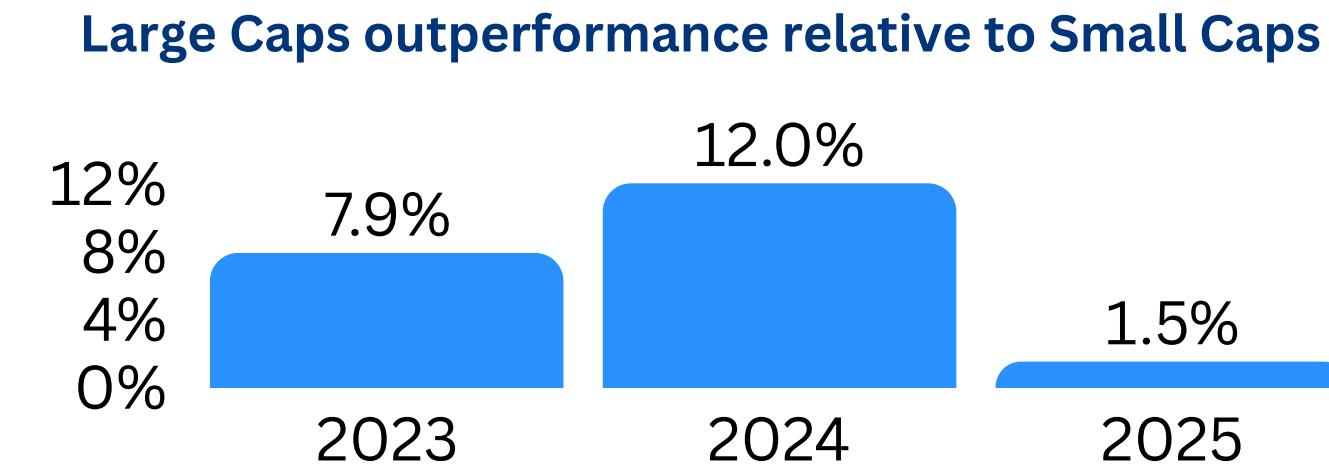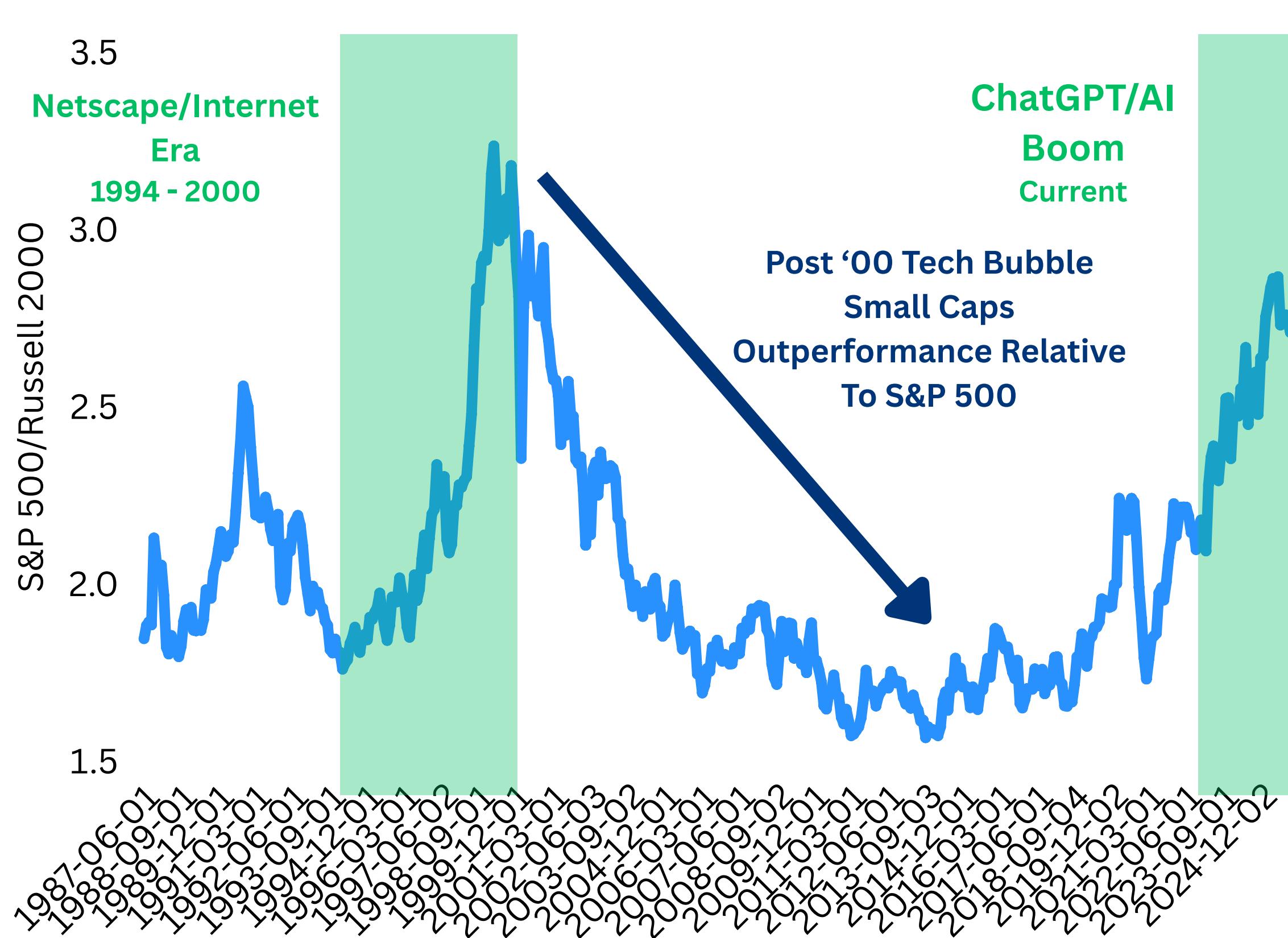
Historically, large-cap stocks lead during the early and middle phases of major innovation cycles.

Even during the Netscape–Internet era, large caps outperformed for several years before leadership shifted. Small caps only began to outperform after the post-bubble shakeout.

We do not expect that regime shift in 2026. While small caps may deliver gains, we believe large caps will continue to outperform.

Extended Rallies Don't Favor Small Caps
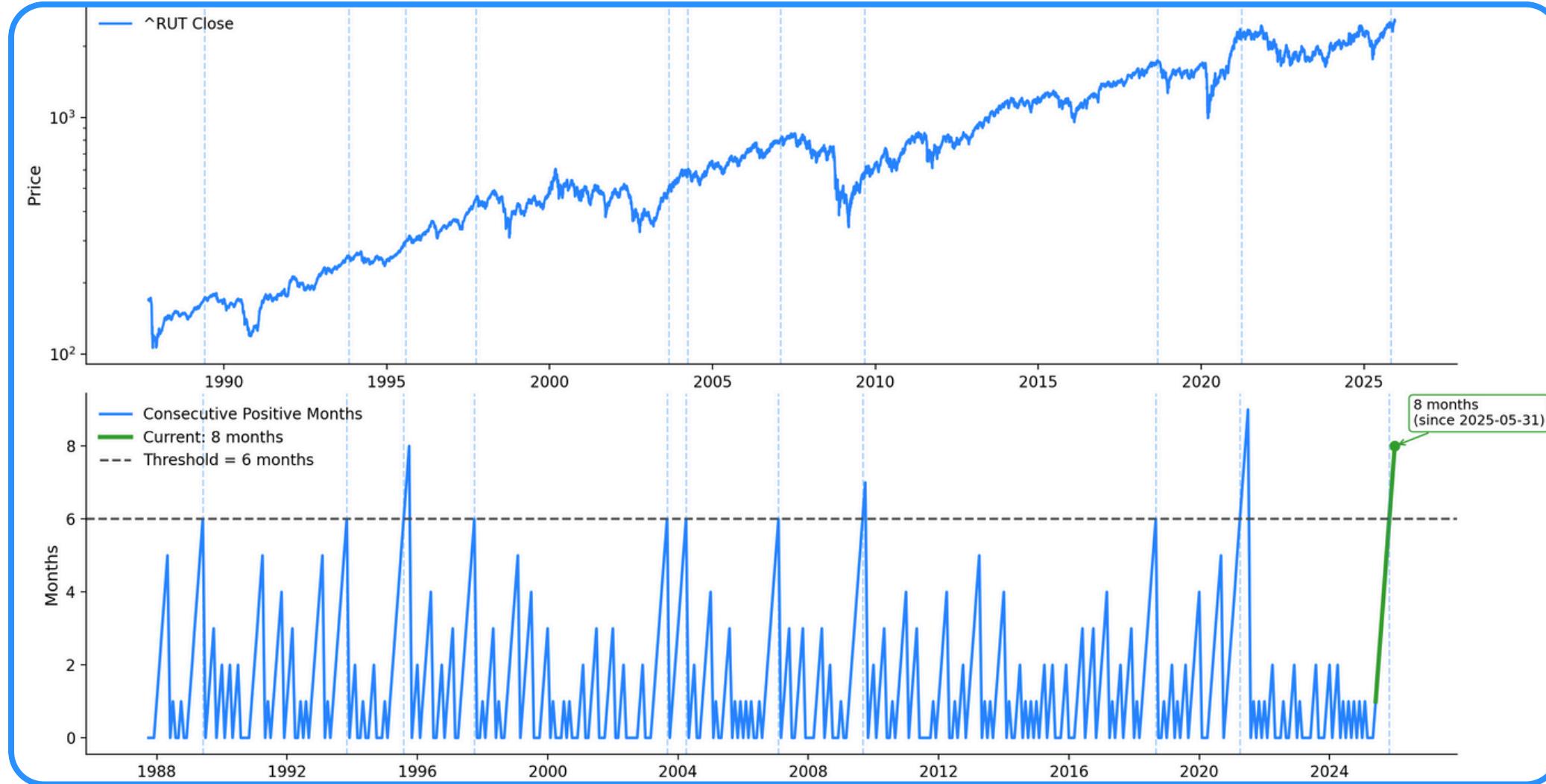
Small caps are currently on an 8-month winning streak, assuming a positive December close.

Historically, when a winning streak extends to 6 months or longer, small-cap performance over the following 12 months has been weak—averaging a return of -3.3% and turning positive only 40% of the time.

The best 12-month return across these episodes was just 7.97%, and in none of the 10 instances did small caps deliver a double-digit return.

Streak Start	Streak End	BaseDate	Max Loss (Start To Trough)	Max DD (Peak To Trough)	1M % Chg	2M % Chg	3M % Chg	6M % Chg	9M % Chg	12M % Chg
1988-12-31	1989-05-31	5/31/89	-11.02%	-15.58%	-2.40%	1.73%	3.89%	-1.96%	-8.05%	-1.53%
1993-05-31	1993-10-31	11/1/93	-7.92%	-11.85%	-3.50%	-0.35%	2.71%	-2.10%	-5.56%	-1.73%
1995-02-28	1995-09-30	7/31/95	-1.72%	-15.59%	1.87%	2.43%	-1.16%	5.22%	16.20%	5.43%
1997-04-30	1997-09-30	9/30/97	-25.53%	-31.23%	-5.54%	-4.33%	-4.37%	4.94%	0.79%	-19.88%
2003-03-31	2003-08-31	9/2/03	-4.38%	-14.72%	-3.91%	4.08%	9.28%	17.20%	12.81%	7.97%
2003-10-31	2004-03-31	3/31/04	-12.40%	-14.72%	-5.17%	-3.02%	0.20%	-2.94%	10.38%	4.19%
2006-08-31	2007-01-31	1/31/07	-16.09%	-21.52%	-0.88%	0.36%	1.78%	-3.03%	3.46%	-10.88%
2009-03-31	2009-09-30	8/31/09	-2.84%	-20.47%	5.63%	-1.69%	1.34%	12.34%	12.04%	5.24%
2018-03-31	2018-08-31	8/31/18	-27.22%	-26.91%	-3.89%	-13.17%	-11.92%	-9.49%	-15.81%	-15.42%
2020-10-31	2021-06-30	3/31/21	-13.03%	-20.94%	2.07%	3.34%	4.05%	-0.73%	1.12%	-6.77%
2025-05-31	???	10/31/25	???	???	-0.41%	2.91%				
		Average	-12.21%	-19.35%	-1.57%	-1.06%	0.58%	1.94%	2.74%	-3.34%
		Median	-11.71%	-18.03%	-2.95%	0.00%	1.56%	-1.34%	2.29%	-1.63%
		% Positive	0.00%	0.00%	30.00%	50.00%	70.00%	40.00%	70.00%	40.00%

Underweight International, Leaning Into Japan–India–China.

Earnings leadership is broadening beyond the U.S.

Global valuations and returns are becoming more balanced.

Structural growth in emerging markets remains powerful.

Rising global bond yields are changing relative return dynamics.

True diversification increasingly requires global exposure.

MSCI ACWI

Asia 15.7%
Europe 17.3%
U.S. 66.9%

(Japan) - (S&P 500)

- 2020: -0.9%
- 2021: -25.7%
- 2022: 1.7%
- 2023: -3.9%
- 2024: -16.3%
- 2025: 9.0%

(India) - (S&P 500)

- 2020: -1.4%
- 2021: -5.5%
- 2022: 10.5%
- 2023: -7.1%
- 2024: -14.7%
- 2025: -15.2%

(China) - (S&P 500)

- 2020: 11.5%
- 2021: -48.6%
- 2022: -3.3%
- 2023: -35.5%
- 2024: -5.6%
- 2025: 16.4%
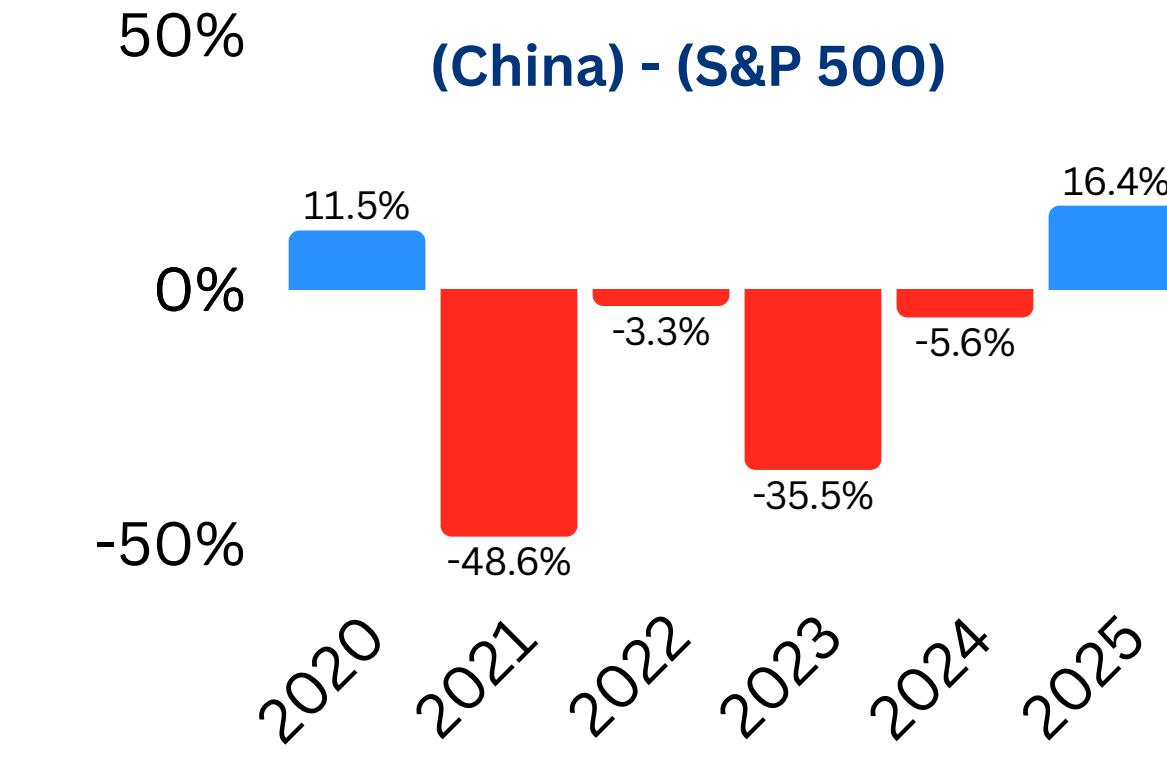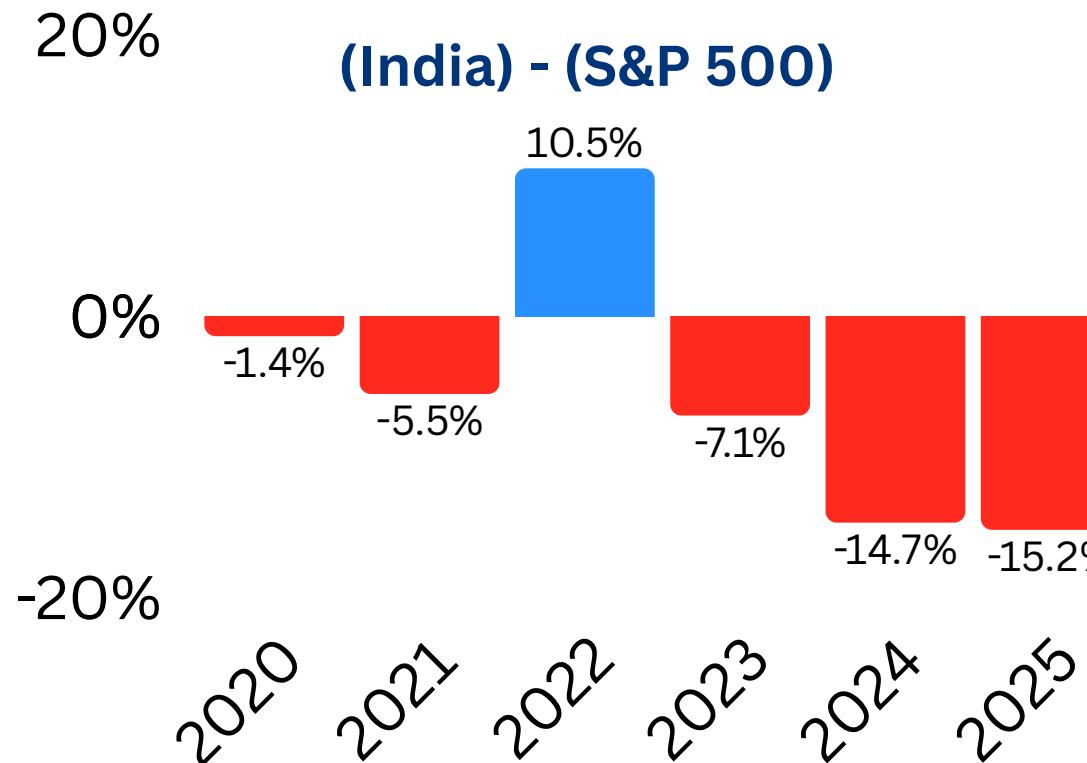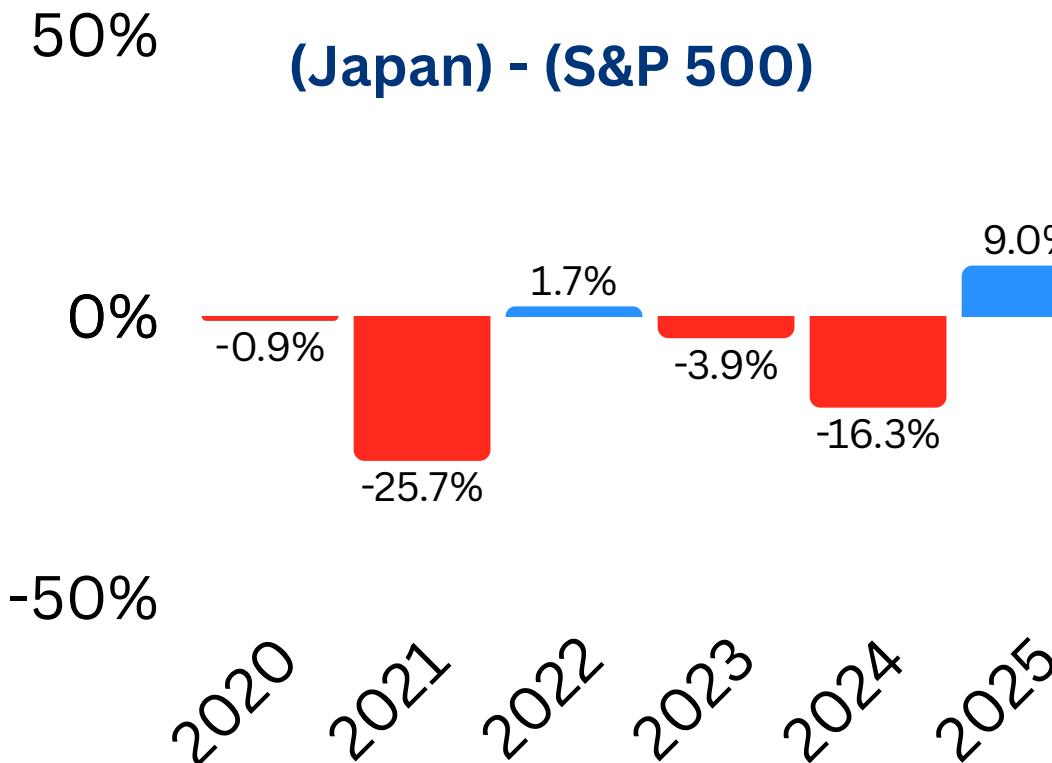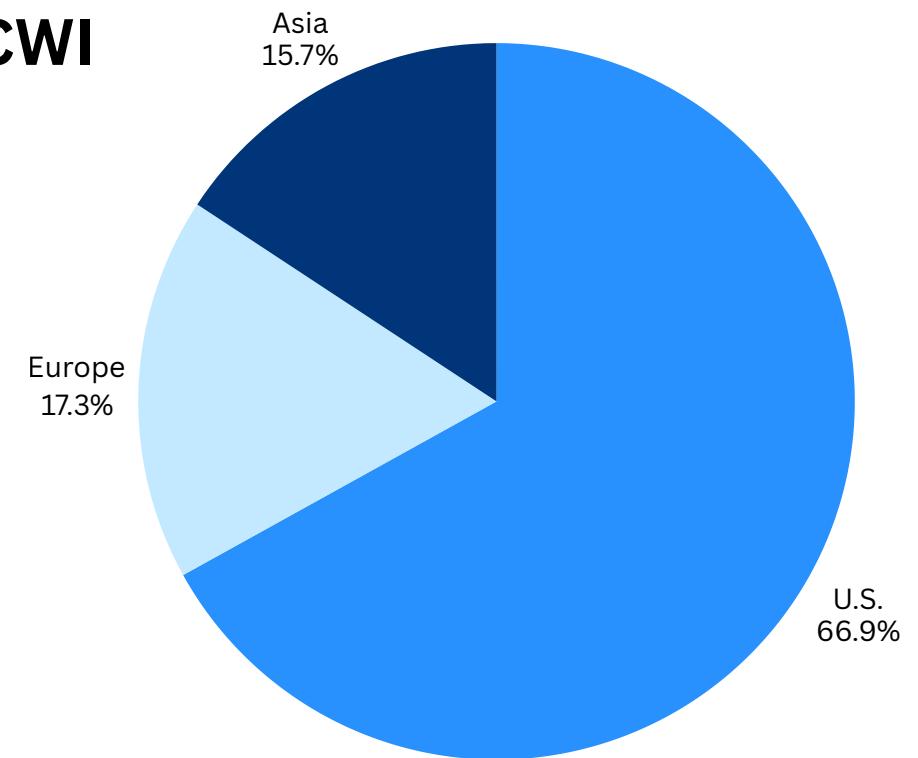
Bitcoin is good, but Ethereum is better.

Over 80% of this institutional tokenization is happening on Ethereum or Ethereum L2s.
BlackRock's $BUIDL fund, Franklin Templeton funds, Citi's private credit pilots, JPMorgan Onyx tokenization, UBS, HSBC, Société Générale tokenized bonds
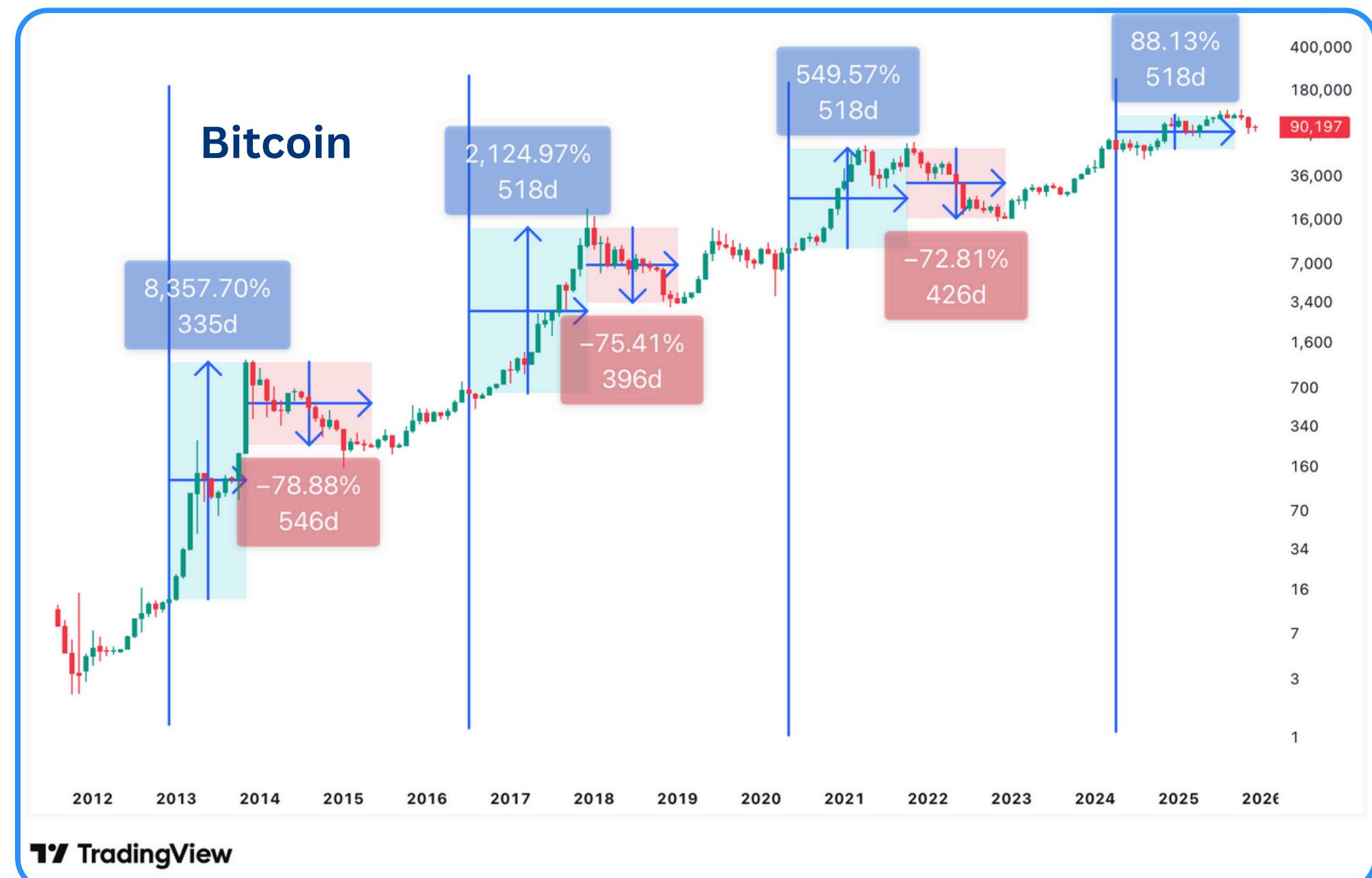
Historically, each completed 4-year Bitcoin cycle has been followed by a drawdown of at least 70%

This cycle may differ due to structural tailwinds, including institutional access via spot ETFs and regulatory clarity under the GENIUS Act

We maintain an allocation to Bitcoin and view it as a long-term appreciating, store-of-value asset

However, from a risk-reward perspective, we believe Ethereum offers greater upside

While Bitcoin primarily functions as digital store of value, Ethereum serves as a programmable settlement layer for tokenized assets, smart contracts, and decentralized financial infrastructure

Commodities: The Shiny Metal & the Nuclear Fuel

The New York Times

U.S. Lends $1 Billion to Three Mile Island Nuclear Project

The Trump administration is giving a $1 billion loan to help restart a nuclear plant at Three Mile Island in Pennsylvania, boosting a...

3 weeks ago

World Nuclear News

Google, Kairos Power, TVA announce collaboration

The power purchase agreement between the Tennessee Valley Authority (TVA) and Kairos Power will deliver up to 50 MW of "reliable, 24/7 energy"...

18 Aug 2025

About Amazon

How Amazon is helping to build one of the first modular nuclear reactor facilities in the United States

Amazon's investment in a future SMR facility in Washington state will help develop new carbon-free energy with a smaller physical footprint...

16 Oct 2025

The Guardian

Meta signs deal with nuclear plant to power AI and datacenters for 20 years

Meta signs deal with nuclear plant to power AI and datacenters for 20 years ... Meta on Tuesday said it had struck an agreement to keep one...

4 Jun 2025

Commodities: The Shiny Metal & the Nuclear Fuel

Uranium Price And Historical Drawdown
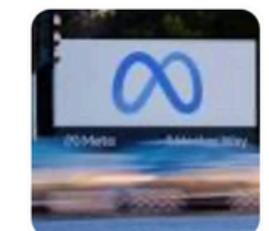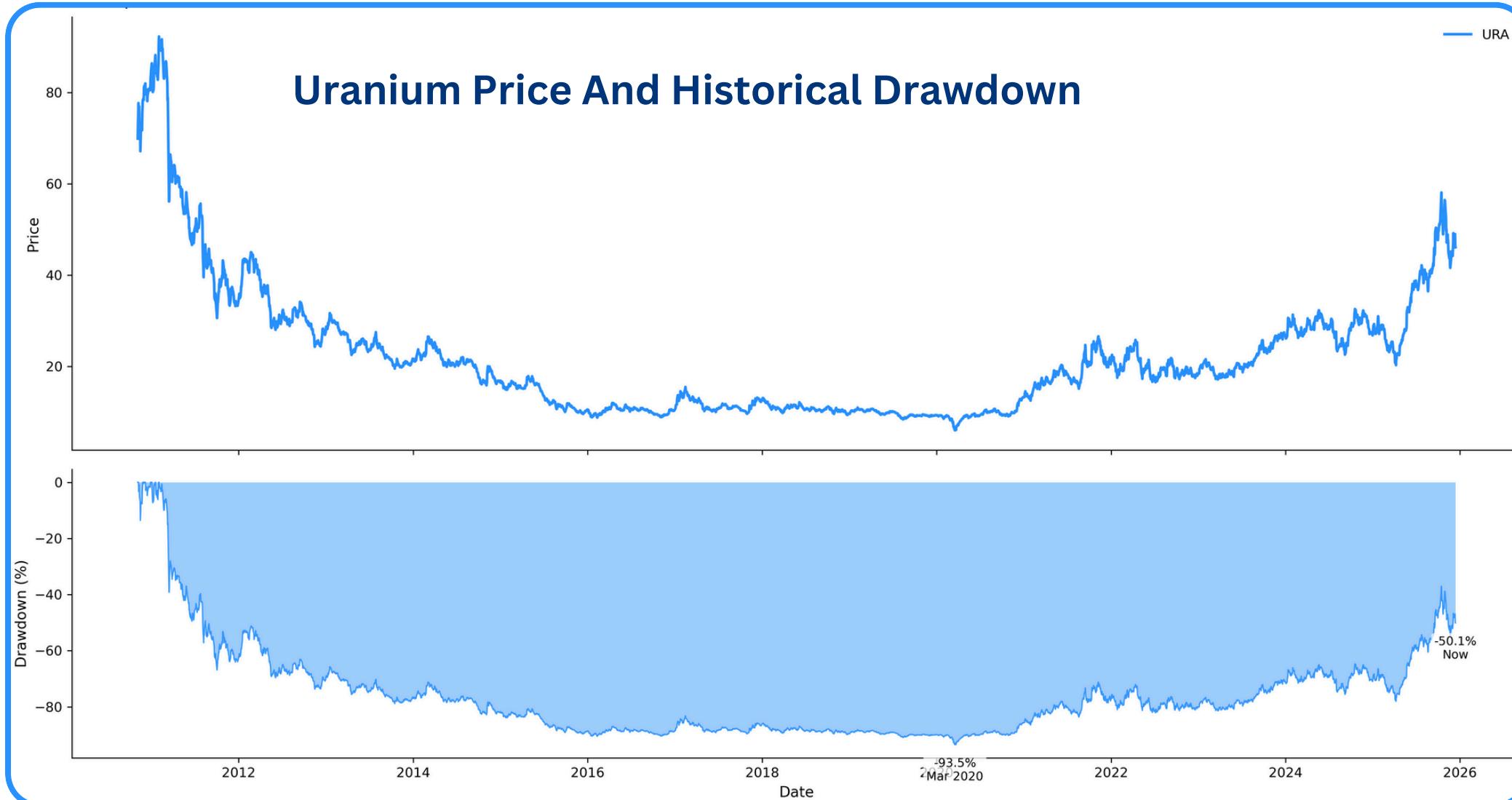
AI compute is highly energy-intensive, and existing power infrastructure may increasingly constrain future compute growth

Nuclear energy offers a scalable, reliable baseload solution well-suited to AI and data-center demand

Big Tech is strategically incorporating nuclear power through long-term contracts and investments to secure future energy supply

Uranium prices have risen sharply this year, yet remain more than 50% below prior all-time highs

Despite recent gains, uranium appears structurally underowned relative to long-term demand trends

Uranium represents a differentiated AI-adjacent exposure—linked to compute growth, but still trading at a discount to past cycles

Gold: Tough Odds to Bet Against

CAPE = 40

5yr CAGR always positive

11.3%

8.8%

6.7%

6.2%

GOLD 5-Year Forward Return
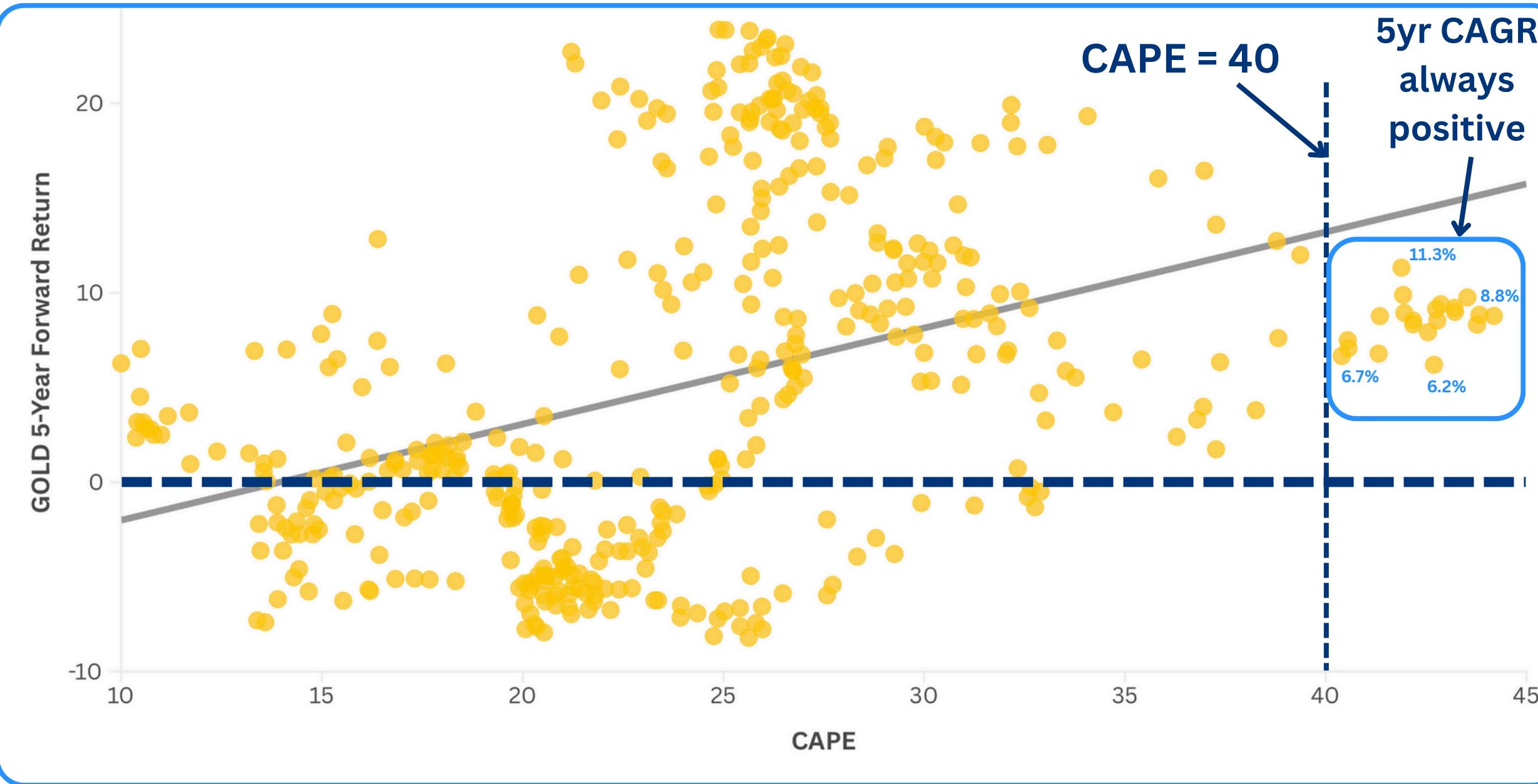
CAPE

The current CAPE ratio is above 40. Historically, whenever CAPE has been at or above this level, gold has delivered a positive 5-year CAGR.

CAPE data: January 1985–October 2020; Gold price data: January 1985–October 2025.

Model: Strategic Asset Allocation

Asset Class	Allocation	Benchmark	Strategic Benchmark	Over Weight/ Under Weight
Equities	U.S. Large Cap	36.80%	51.28%	+14.48%
	U.S. Mid Cap	10.40%	10.40%	+0.00%
	U.S. Small Cap	4.80%	3.32%	-1.48%
	Developed Markets	16.00%	11.00%	-5.00%
	Emerging Markets	12.00%	9.00%	-3.00%
Alternatives	Crypto Currency	2.00%	4.00%	+2.00%
	Commodities	3.00%	6.00%	+3.00%
Fixed Income	U.S.	10.00%	2.00%	-8.00%
	International	5.00%	3.00%	-2.00%
Summary	Equities	80.00%	85.00%	+5.00%
	Alternatives	5.00%	10.00%	+5.00%
	Fixed Income	15.00%	5.00%	-10.00%

Model: Strategic Sector Allocation

Sector	Underweight	Neutral	Overweight
Technology			Overweight
Health Care		Neutral	
Financials			Overweight
Consumer Discretionary		Neutral	
Communication Services			Overweight
Industrial			Overweight
Consumer Staples	Underweight		
Real Estate		Neutral	
Utilities		Neutral	
Energy		Neutral	
Materials			Overweight

Model Portfolio

Asset Class	Allocation	Benchmark	Strategic Benchmark	% Holding	Name	Ticker	1 Year % Change (CAGR)	3 Year % Change (CAGR)	5 Year % Change (CAGR)	10 Year % Change (CAGR)	Over Weight/ Under Weight
Equities	U.S. Large Cap	36.80%	51.28%	20.51%	AQR Long-Short Equity Fund N	QLENX	32.11%	29.98%	27.33%	11.92%	14.48%
				20.51%	Fundstrat Granny Shots US Large Cap ETF	GRNY	19.83%%	xxx	xxx	xxx	
				10.26%	iShares US Equity Factor Rotation Active ETF	DYNF	15.94%	26.87%	16.61%	xxx	
	U.S. Mid Cap	10.40%	10.40%	4.16%	Vanguard Mid-Cap Index Fund ETF	VO	7.77%	13.32%	9.31%	11.22%	+0.00%
				2.08%	iShares Core S&P Mid-Cap ETF	IJH	3.22%	11.79%	9.86%	10.81%	
				4.16%	Invesco S&P MidCap Value with Momentum ETF	XMVM	14.06%	15.16%	14.64%	12.58%	
	U.S. Small Cap	4.80%	3.32%	1.33%	Pacer US Small Cap Cash Cows ETF	CALF	-1.70%	7.66%	7.71%	xxx	-1.48%
				1.99%	Fundstrat Granny Shots US Small- & Mid-Cap ETF	GRNJ	xxx	xxx	xxx	xxx	
	Developed Markets	16.00%	11.00%	4.40%	Vanguard Developed Markets Index Fund ETF	VEA	28.63%	16.75%	9.36%	8.76%	-5.00%
				6.60%	WisdomTree Japan Hedged Equity Fund	DXJ	33.45%	32.96%	25.45%	13.89%	
	Emerging Markets	12.00%	9.00%	1.80%	iShares MSCI Emerging Markets ETF	EEM	26.54%	14.65%	3.64%	7.81%	-3.00%
				3.60%	iShares MSCI China ETF	MCHI	29.13%	11.59%	-2.97%	5.34%	
				3.60%	WisdomTree India Earnings Fund	EPI	-4.40%	11.37%	11.91%	10.71%	
Alternatives	Crypto Currency	2.00%	4.00%	3.00%	iShares Ethereum Trust ETF	ETHA	-20.94%	xxx	xxx	xxx	+2.00%
				1.00%	iShares Bitcoin Trust ETF	IBIT	-9.97%	xxx	xxx	xxx	
	Commodities	3.00%	6.00%	2.00%	Global X Uranium ETF	URA	58.20%	36.89%	30.88%	16.92%	+3.00%
				4.00%	SPDR Gold Shares	GLD	61.31%	33.97%	18.27%	14.57%	
Fixed Income	U.S.	10.00%	2.00%	5.00%	JPMorgan International Bond Opportunities ETF	JPIB	6.67%	6.21%	2.75%	xxx	-10.00%
	International	5.00%	3.00%								
Summary	Equities	80.00%	85.00%	85.00%							+5.00%
	Alternatives	5.00%	10.00%	10.00%							+5.00%
	Fixed Income	15.00%	5.00%	5.00%							-10.00%

Strategic Benchmark | Model Benchmark | Model Portfolio

	1M	3M	6M	1Y	3Y	5Y
Strategic Benchmark	1.1%	3.5%	11.5%	12.3%	17.8%	12.3%
Model Benchmark	1.2%	3.4%	11.0%	12.8%	15.5%	9.9%
Model Portfolio	0.3%	3.6%	14.9%	21.3%	22.9%	17.5%

For assets with insufficient historical data, performance is estimated using appropriate benchmarks or proxies.

Model Portfolio

Top chart — Annual returns by year:

Legend: Model Benchmark · Strategic Benchmark · Bluekurtic Model Portfolio

Year	Model Benchmark	Strategic Benchmark	Bluekurtic Model Portfolio
2021	17.4%	22.9%	20.7%
2022	-15.1%	-14.7%	-2.8%
2023	17.3%	19.4%	23.0%
2024	14.8%	19.8%	20.8%
2025	17.0%	16.7%	25.3%

Bottom chart — Returns by time horizon:

Legend: Model Benchmark · Strategic Benchmark · Model Portfolio

Period	Model Benchmark	Strategic Benchmark	Model Portfolio
1M	1.2%	1.1%	0.3%
3M	3.4%	3.5%	3.6%
6M	11.0%	11.5%	14.9%
1Y	12.8%	12.3%	21.3%
3Y	15.5%	17.8%	22.9%
5Y	9.9%	12.3%	17.5%

For assets with insufficient historical data, performance is estimated using appropriate benchmarks or proxies.

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