



2026 Market Outlook

Navigating the New Year: Can the Momentum Be Sustained?



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Welcome & Introductions

Doug Couden, CFA, Chief Investment Officer, Partner

Doug leads the firm's multi-disciplined (technical, fundamental, and macro) investment approach, including BakerAvenue's Impact Strategy. He is a member of the firm's executive committee and is responsible for managing the investment team, the firm's research process, and the overall performance of the strategies.

King Lip, CFA, CMT, Chief Strategist, Partner

King leads the firm's specialized strategies on Concentrated Stock management and Options. King is also a member of the S&P Dow Jones Indices U.S. Index Committee Advisory Panel and a member of BlackRock's RIA Advisory Council. He is a regular commentator on CNBC and has been nominated as a Top 100 Independent Wealth Advisor in Barron's magazine and the San Francisco Business Times. King was named as one of the Top 10 Rising Stars of ETF investing by ETF Report and was named as an expert ETF strategist in the book, "ETF Investment Strategies".

Geoff Erwin, CFP®, Wealth Advisor, Managing Director

With nearly 25 years of experience, Geoff specializes in helping clients build generational wealth through strategic retirement planning. Geoff's niche understanding of market dynamics has enabled him to establish long-term relationships with hundreds of families over the years, and he is recognized as a company leader in client satisfaction scores.



TODAY'S
DISCUSSION

Purpose. Passion. Performance.

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Welcome & Introductions

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A Quick Look Back at 2025

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2026: Addressing the Key Issues

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Actionable Opportunities

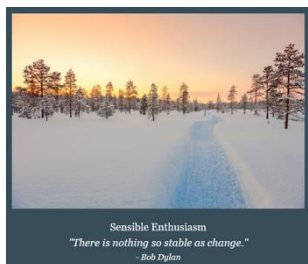
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Q & A

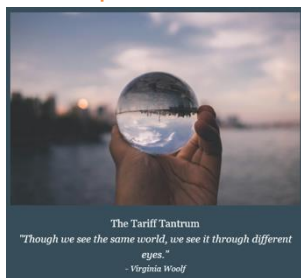
Looking Back
Before We Move Forward

A Quick Look Back at 2025...

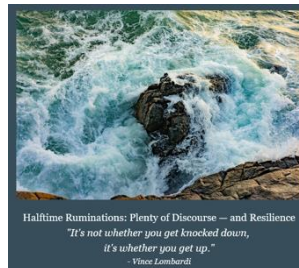
January 2025



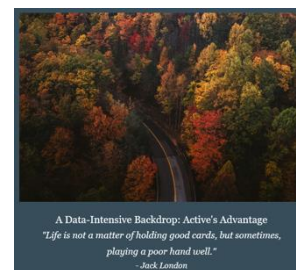
April 2025



July 2025



November 2025



S&P 500



January 2025 – Sensible Enthusiasm

We see more positives than negatives as we enter the new year. Economic growth has proven to be resilient, earnings are poised to accelerate, and investor positioning looks constructive. Our optimism is bridled somewhat by policy uncertainty, but the backdrop is ripe for active oversight with plenty of room for stock and sector selection.

April 2025 – The Tariff Tantrum

Investors are facing changes to the policy landscape that have not been confronted in many years. The scope and arbitrary nature of the tariffs turned out to be far higher than anyone had imagined, leaving the world, and the markets, in a state of shock. While the economy entered the tariffs on decent footing, the ensuing correction and historic volatility have led many to question the path forward.

July 2025 – Halftime Ruminations: Plenty of Discourse – and Resilience

The first half of the year had enough material headlines to fill a multi-year cycle. As we cross the midpoint of 2025, market resiliency amidst the turbulent backdrop of tariff uncertainties, geopolitical tensions, and fiscal debt discourse, to name a few, has been impressive.

November 2025 – A Data-Intensive Backdrop: Active's Advantage

From earnings and AI to Fed policy and tariffs, market-moving headlines are coming in waves. After more than a decade in which conditions were less favorable for active than passive management, we believe the backdrop is changing. Greater macro uncertainty, central bank normalization, and technological innovation are now driving increased market volatility and stock dispersion – trends that improve investment prospects for active managers.

Grow and Protect Investment Philosophy

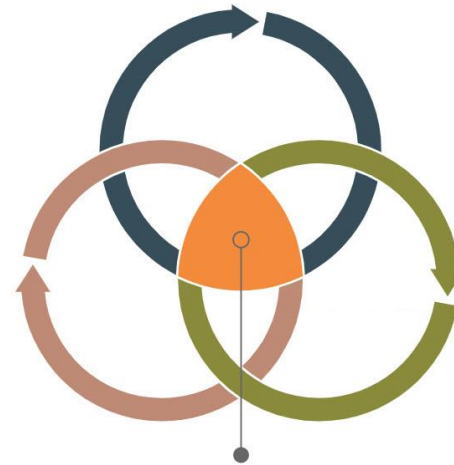
We utilize in-depth technical, macro, and fundamental analysis for long-term capital appreciation and risk control.

Macroeconomic Analysis

- Monetary Policy
- Fiscal Policy
- Interest Rate Analysis
- Currency Moves
- Geopolitical Issues
- Business Cycle Analysis
- Inflation Direction
- Credit Cycle Analysis

Technical Analysis

- Relative Strength
- Intermarket Analysis
- Market Trends
- Moving Averages
- Support & Resistance Levels
- Seasonal Patterns



Fundamental Analysis

- Revenue & Cost Drivers
- Competitive Analysis
- Positioning
- Identifiable Catalysts
- Forecasts vs. Expectations
- Sustainability Profile
- Valuation

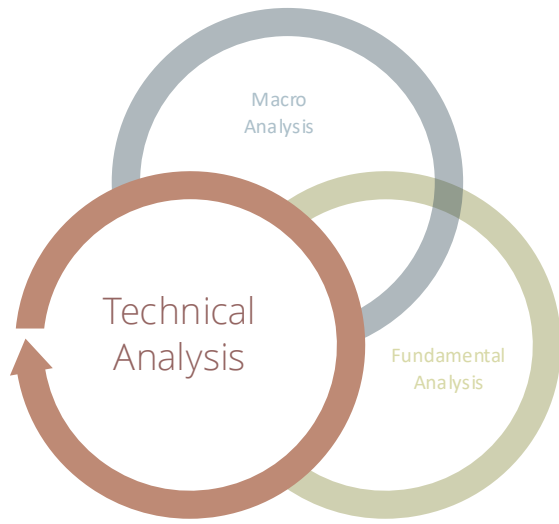
BakerAvenue Investment Committee

- Risk Exposure
- Thesis Challenges
- Portfolio Characteristics
- New Securities Selection

Polling Question #1

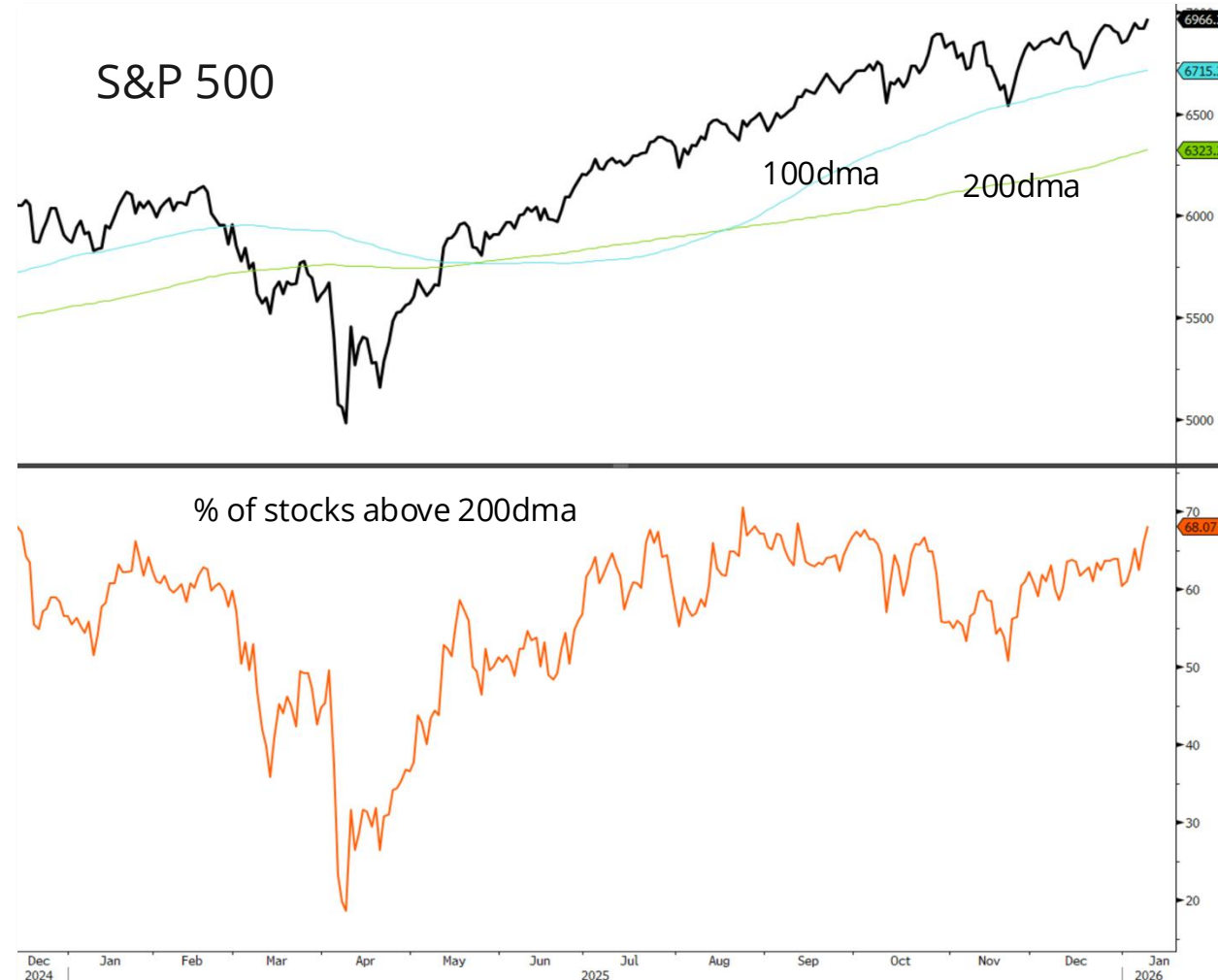
After three strong years of market returns, how do you think markets will do in 2026?

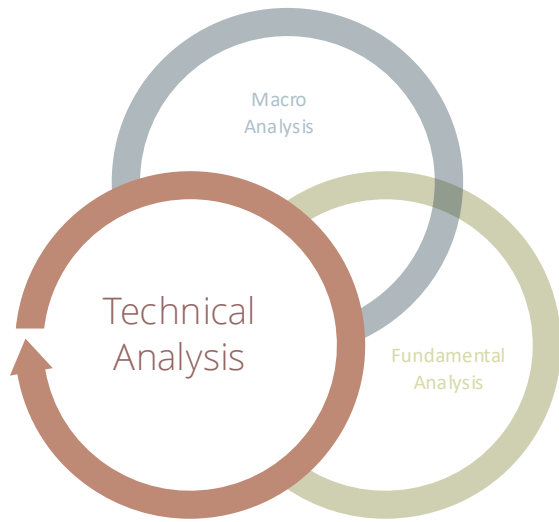
Technicals



Strong Price Trends, Improving Internals

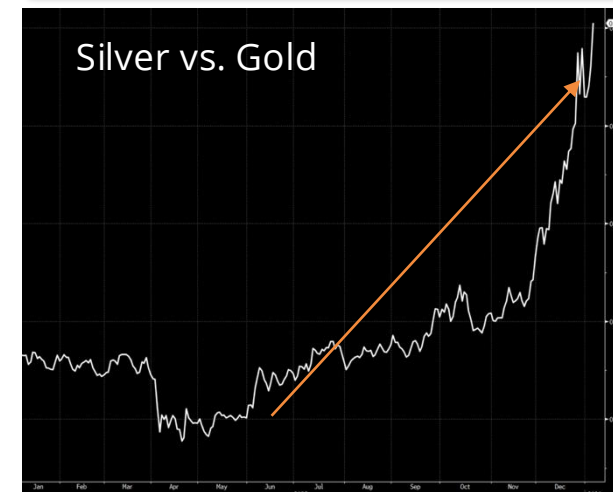
Most indices are trading above key technical levels. Internal metrics have improved as participation has broadened.

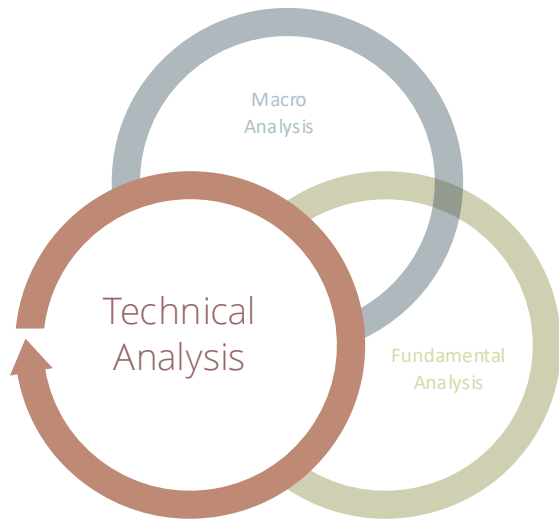




Relative Strength Message Is Pro-Growth

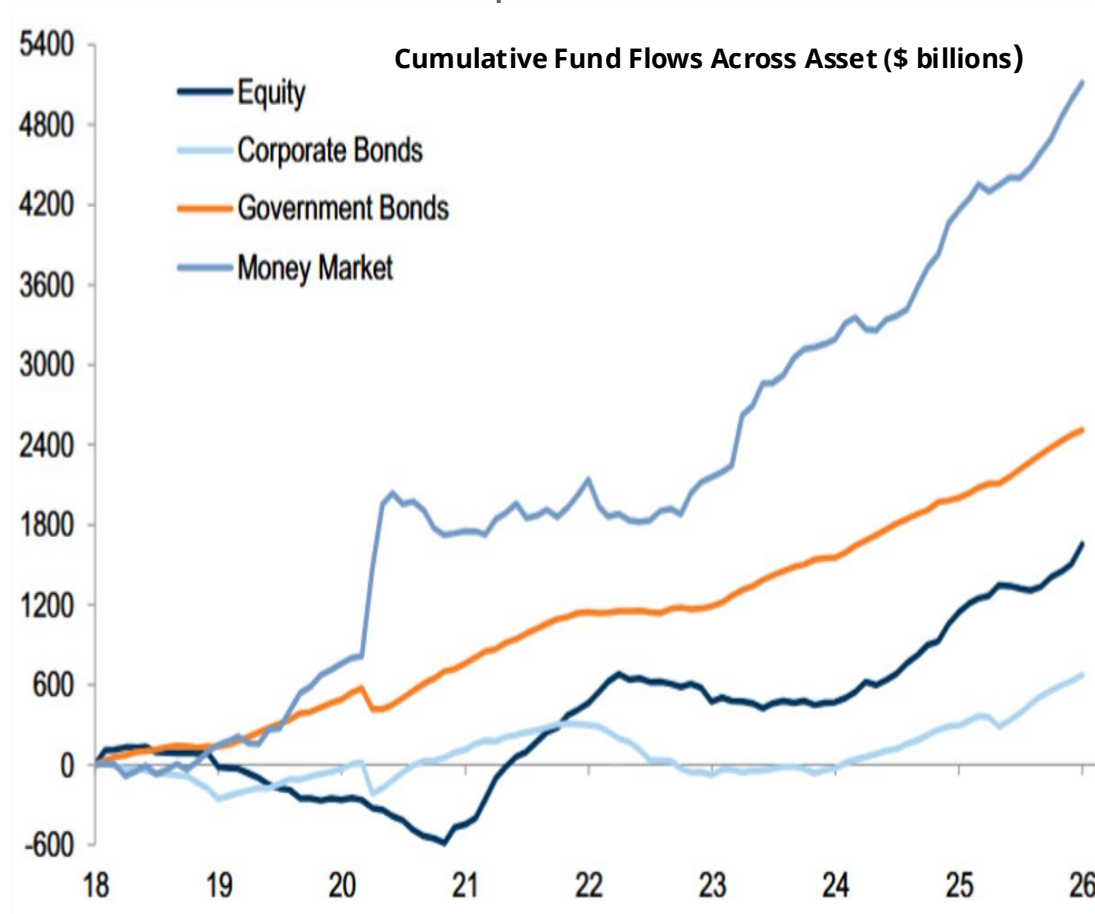
The economically sensitive pockets of the market are outperforming, while defensives have lagged. Historically, a good sign.

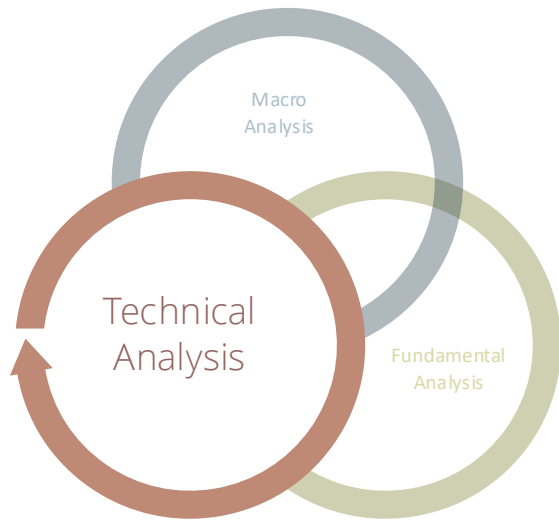




Investor Sentiment

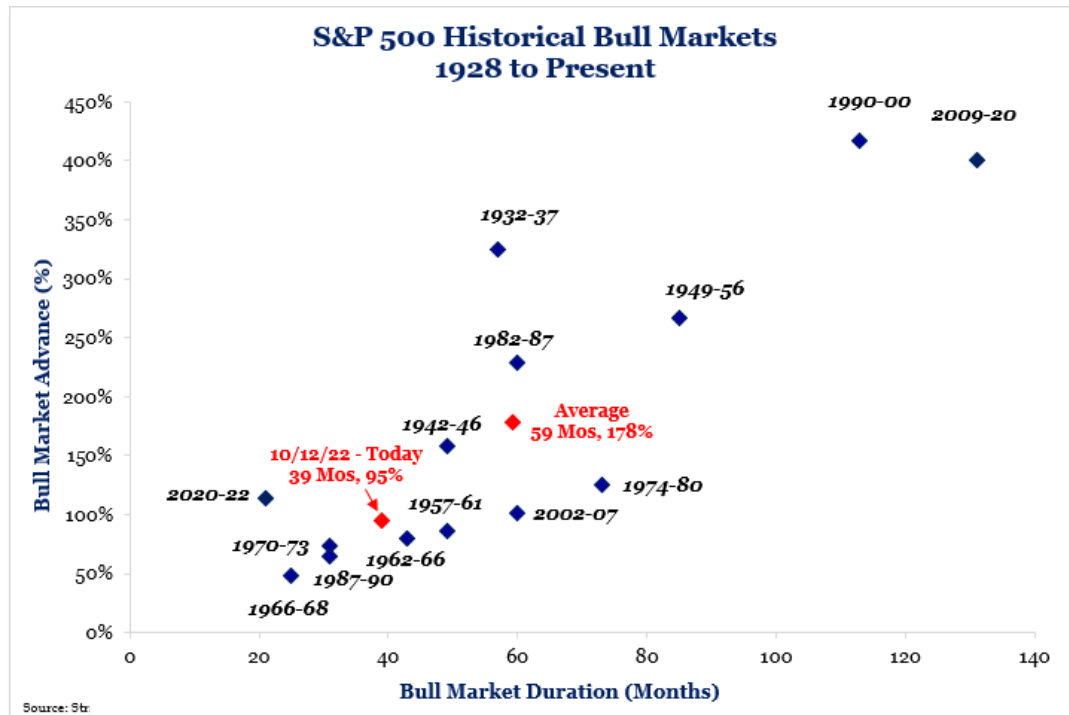
Bull markets tend to die on euphoria, not skepticism. Currently, our investor sentiment reads are balanced (neutral). However, we do see an opportunity for further allocations into equities.





Duration: Reviewing Bull Markets

The move off the '22 lows has been impressive. Four-year bull markets are rare, but previous vintages have seen sustained advances with manageable drawdowns.

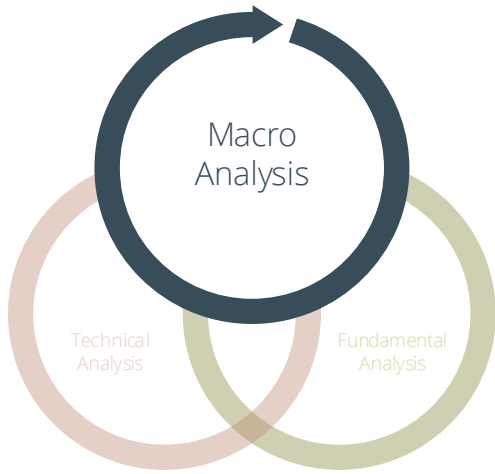


BULL MARKET			RETURN BY YEAR (%)			
Start	End	Length (Years)	1	2	3	4
May 1947	Jun 1948	1.1	10.2			
Jun 1949	Aug 1956	7.1	42.1	11.9	12.8	-2.0
Oct 1957	Dec 1961	4.1	31.0	9.7	-4.8	28.4
Jun 1962	Feb 1966	3.6	32.7	17.0	2.3	
Oct 1966	Nov 1968	2.1	32.9	6.6		
May 1970	Jan 1973	2.6	43.7	10.9		
Oct 1974	Nov 1980	6.2	38.0	21.2	-7.3	6.7
Aug 1982	Aug 1987	5.0	58.3	2.0	13.8	27.8
Dec 1987	Jul 1990	2.6	21.4	29.0		
Oct 1990	Mar 2000	9.5	29.1	5.6	14.3	-0.3
Oct 2002	Oct 2007	5.0	33.7	8.0	6.6	12.9
Mar 2009	Feb 2020	11.0	68.6	15.7	3.5	13.6
Mar 2020	Jan 2022	1.8	74.8			
Oct 2022	Dec 2025	3.1	21.6	33.7	12.7	4.9*
MEDIAN			33.3	11.4	6.6	9.8
AVERAGE			38.4	14.3	6.0	11.5
MIN			10.2	2.0	-7.3	-2.0
MAX			74.8	33.7	14.3	28.4

Polling Question #2

What do you think will have the most
macro influence this year?

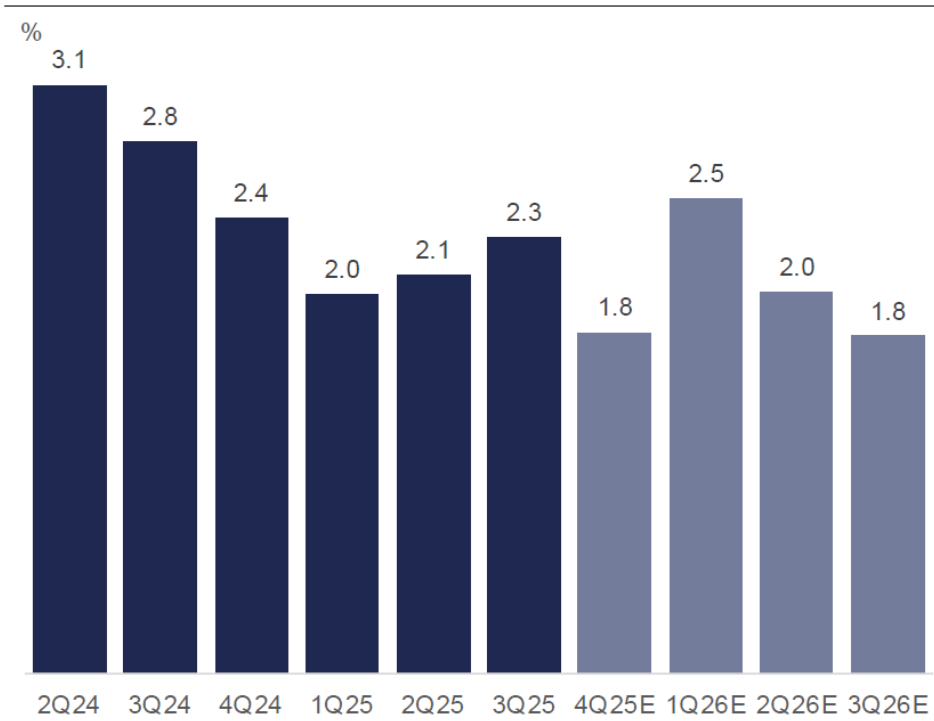
Macro



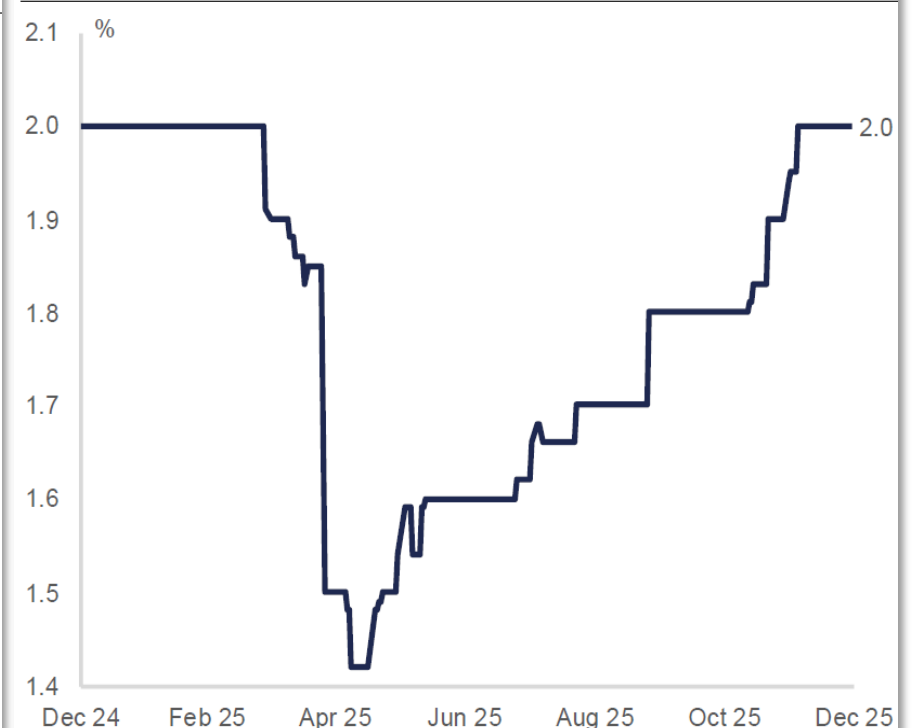
Resilient Growth Continues

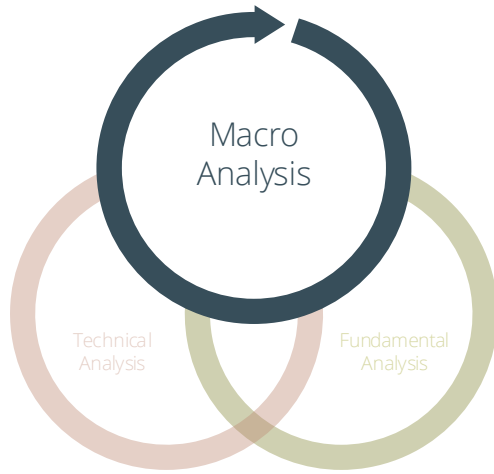
The US economy has been resilient. We expect moderate growth and put low odds on any recessionary conditions developing. Economists have been too pessimistic in their forecasts.

Real GDP YoY with Consensus Forecasts



2026 GDP Expectations YoY



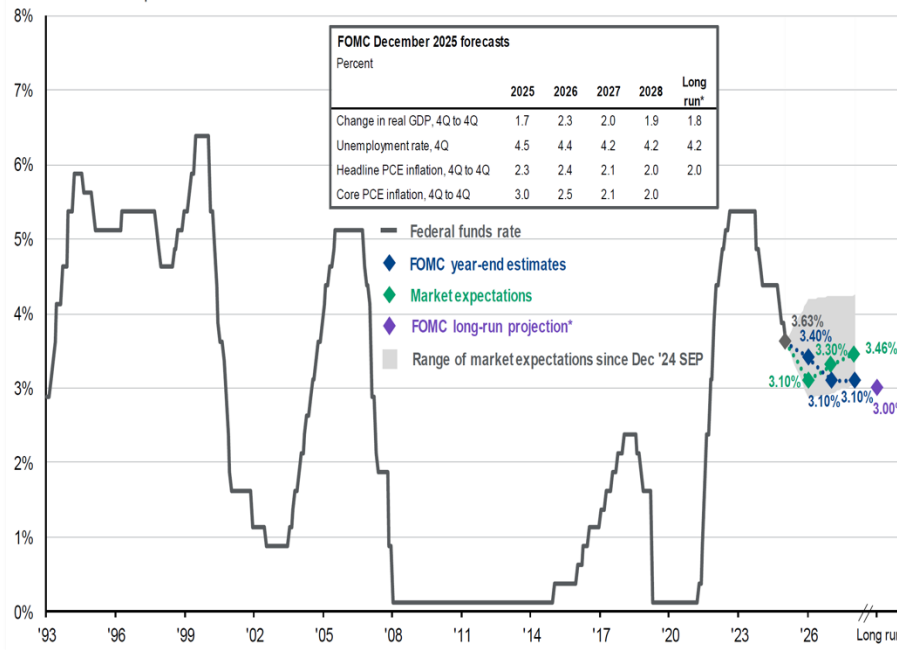


Shifting Policy Tailwinds

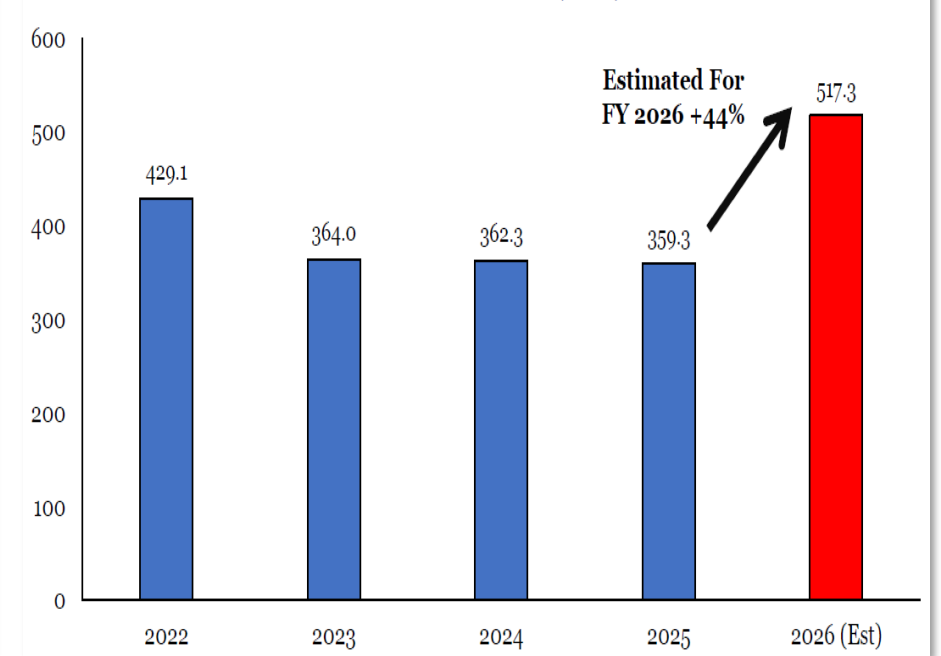
We see lower, but not low, interest rates going forward as the Fed normalizes policy in 1H'26. We expect fiscal tailwinds to act as a tailwind for growth in '26 as the benefits from the OBBB will accrue in '26.

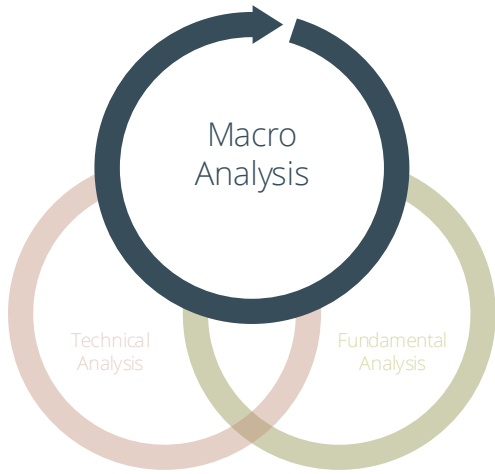
Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Federal Tax Refunds, FY, \$BN

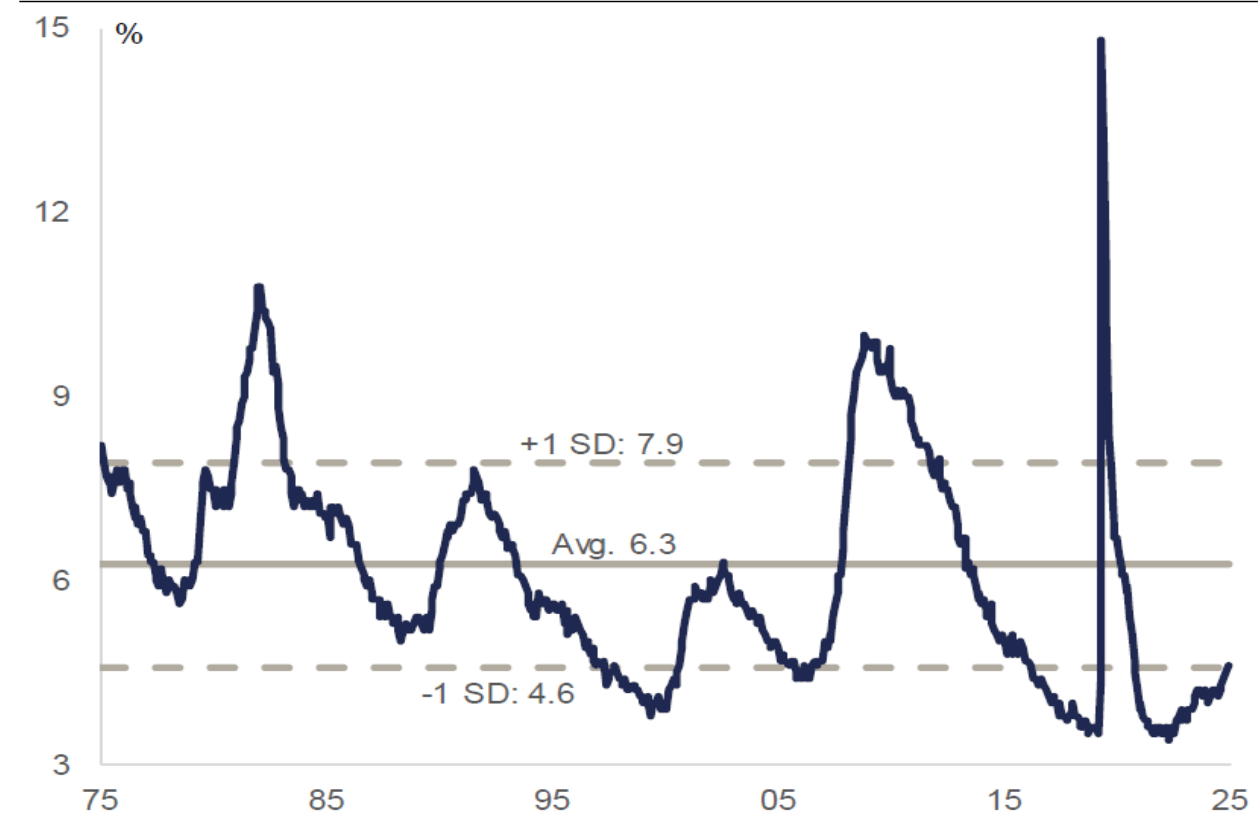


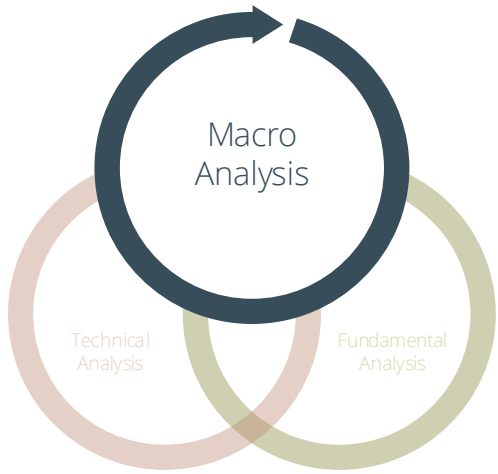


Watching Employment

Unemployment (4.4%) is creeping higher and is a risk to our growth outlook. However, the unemployment rate remains well below historical averages. We see a slow to hire, slow to fire backdrop with productivity picking up.

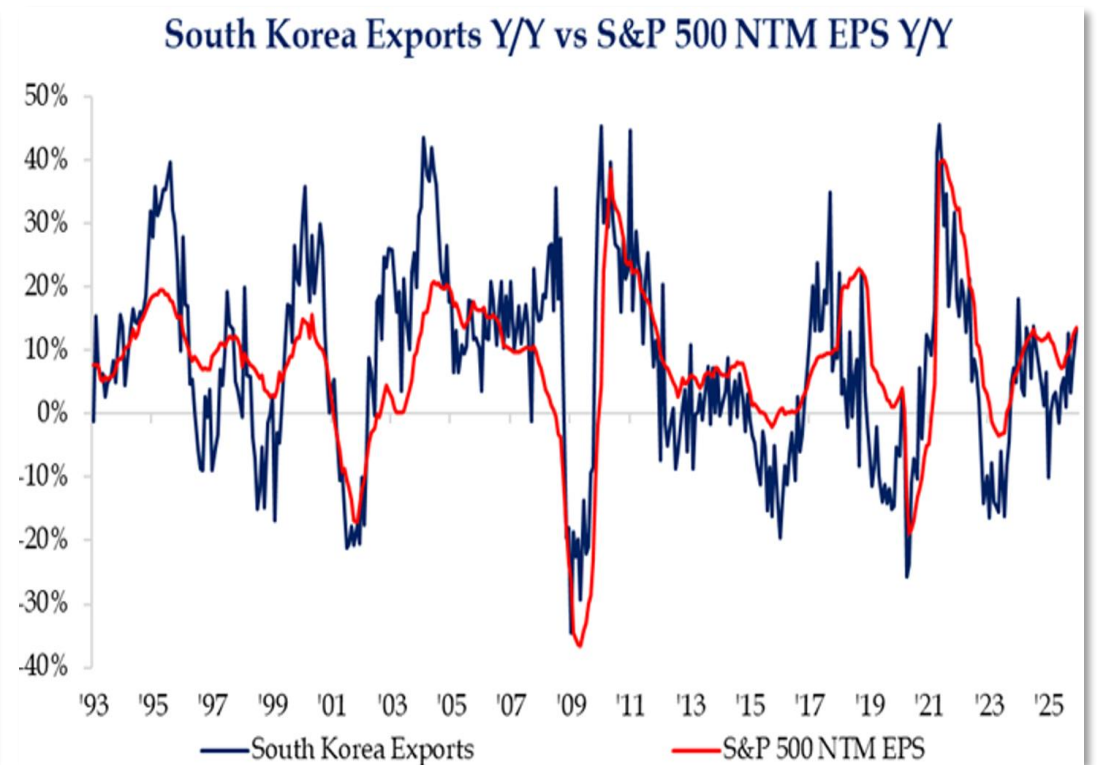
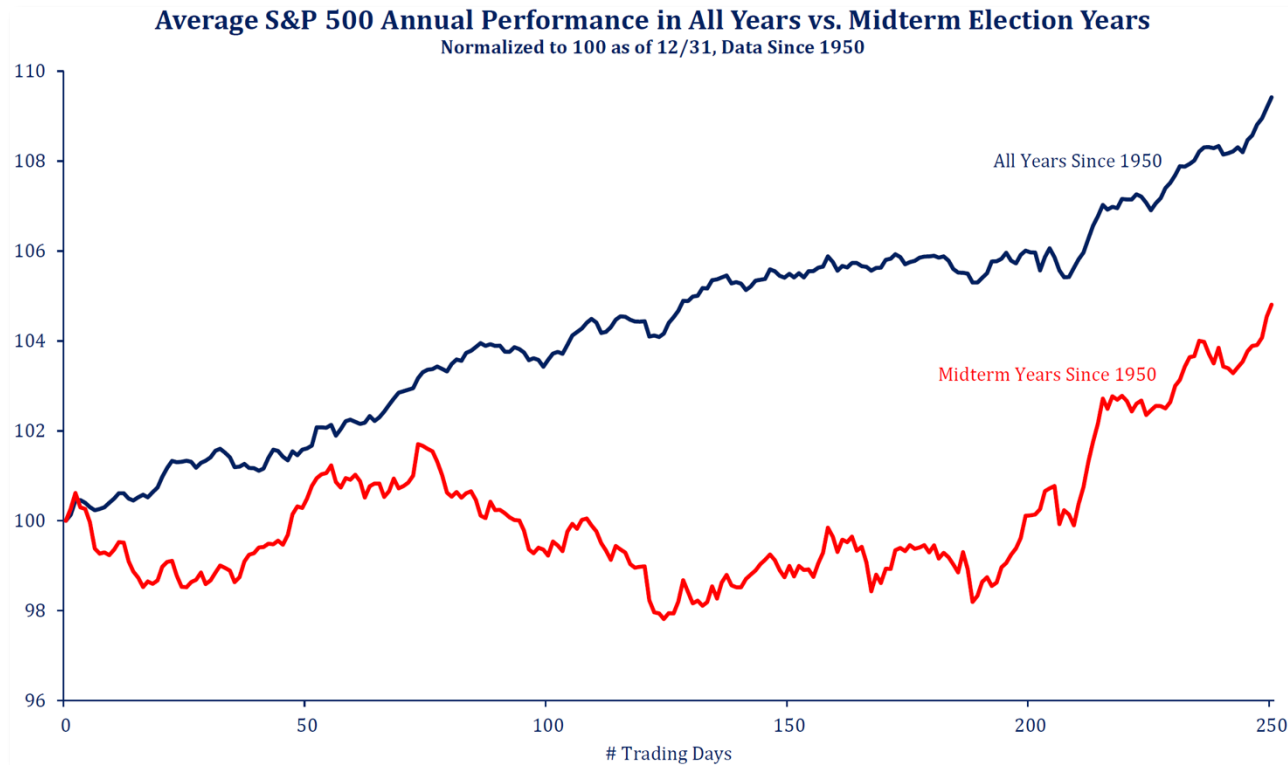
Unemployment Rate





Geopolitics to Stay Topical

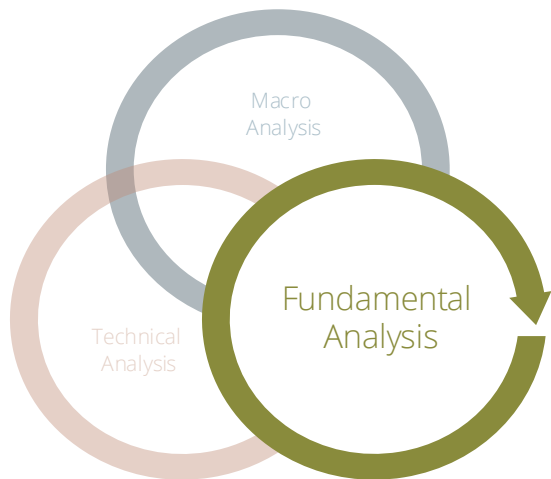
'26 is a mid-term election year. Historically, a volatile geopolitical backdrop with lots of sectoral implications. Encouragingly, political volatility is happening during a time of accelerating global growth.



Polling Question #3

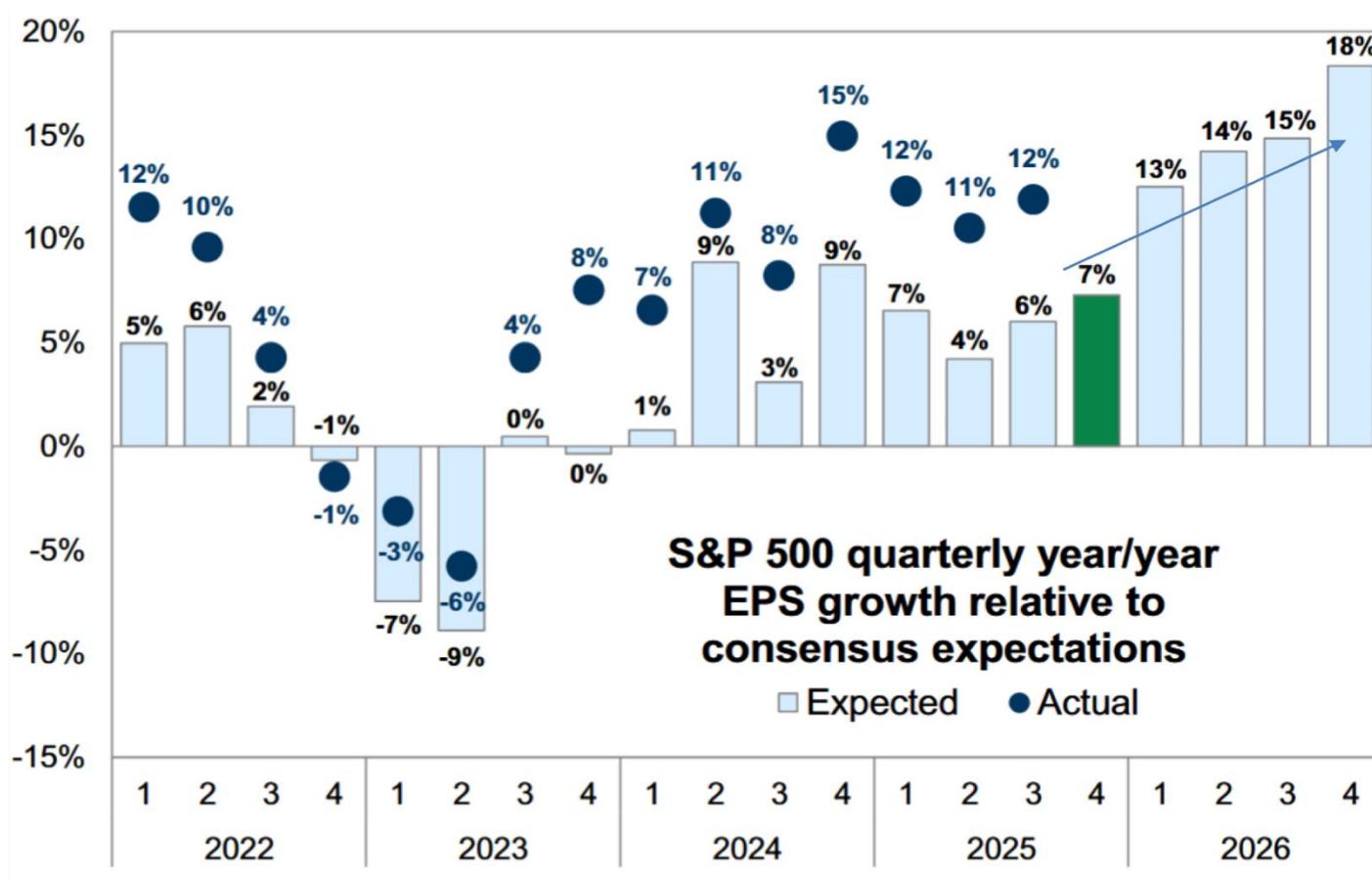
What do you think will have the most
fundamental influence this year?

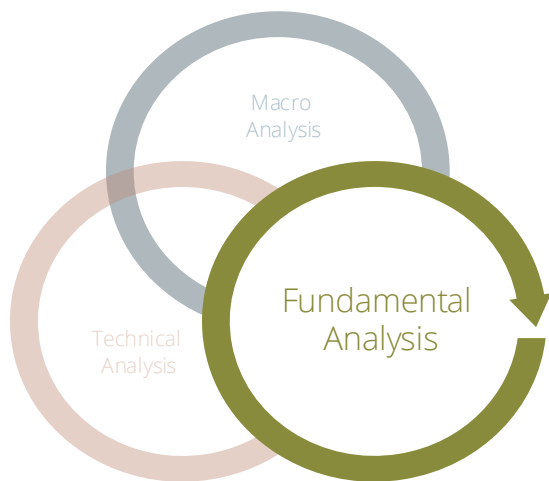
Fundamental



Solid Fundamental Backdrop

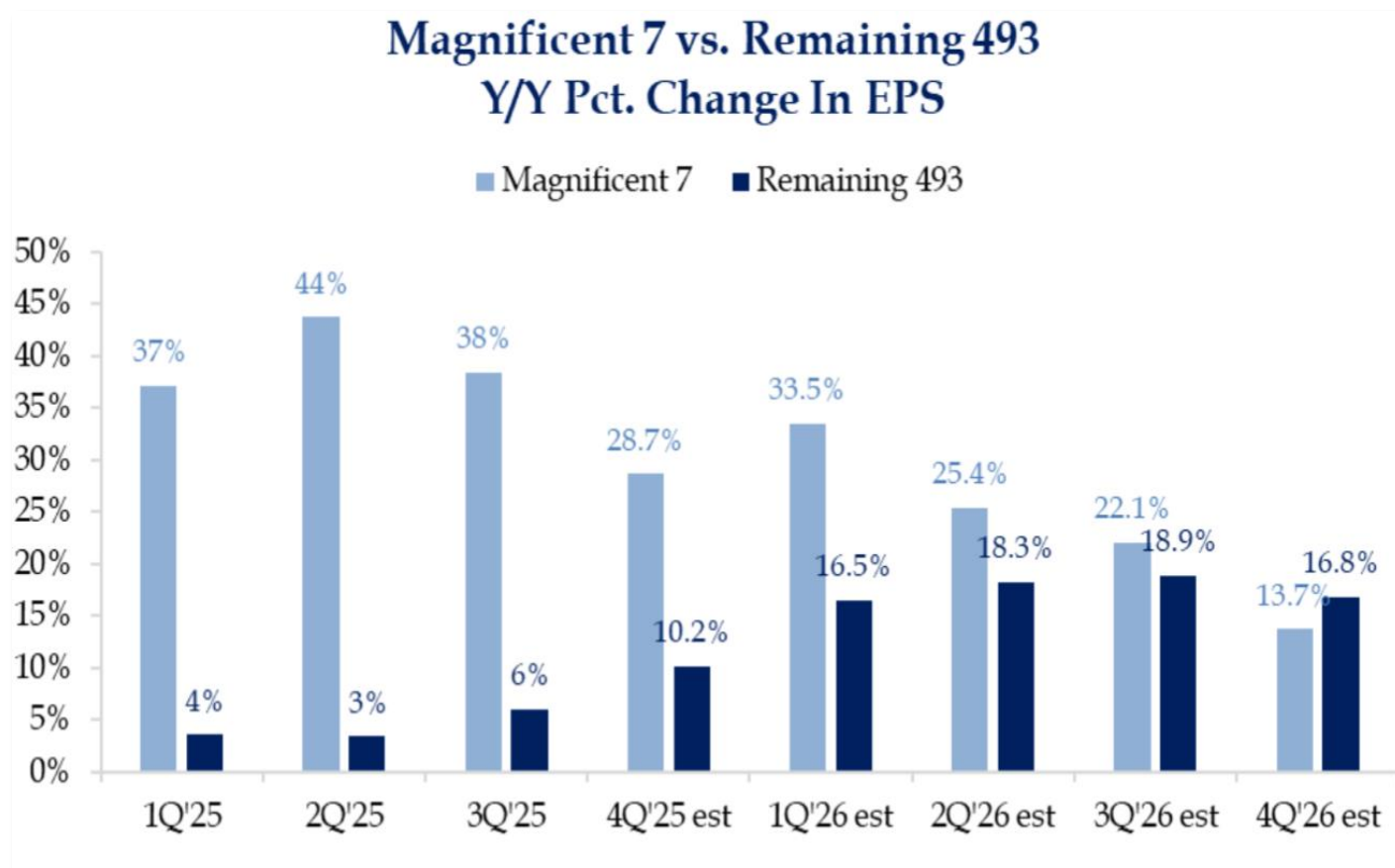
Last year's returns were driven by earnings, not valuation expansion. Revenue growth continues to outpace cost growth. We continue to see upside to earnings and revenue estimates.

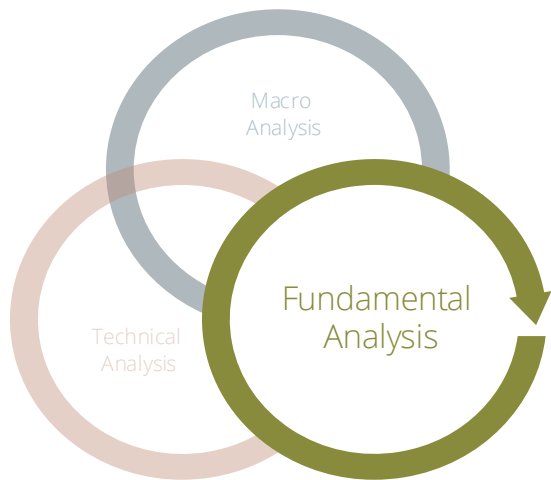




Shifting Relative Growth Profile

The large growth stocks have contributed most to the growth profile of the market. However, forecasts call for a leveling out.



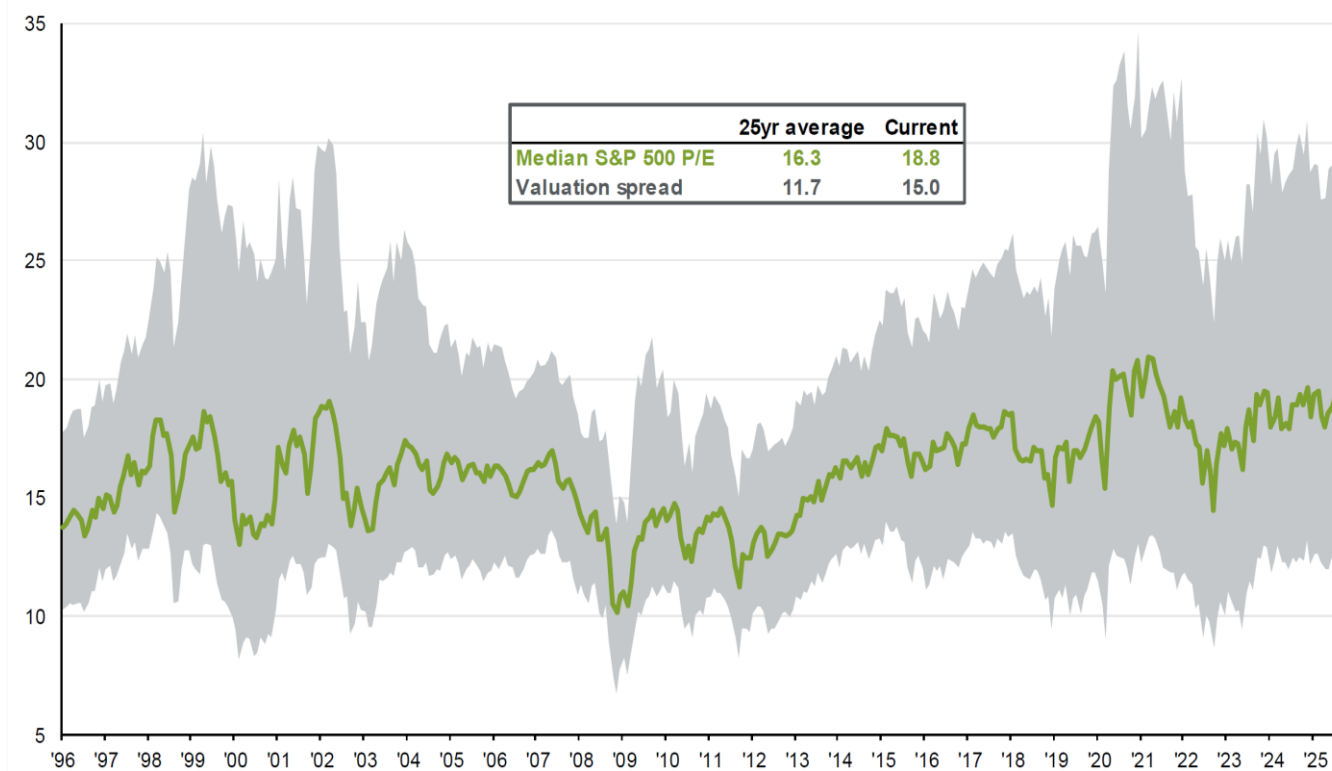


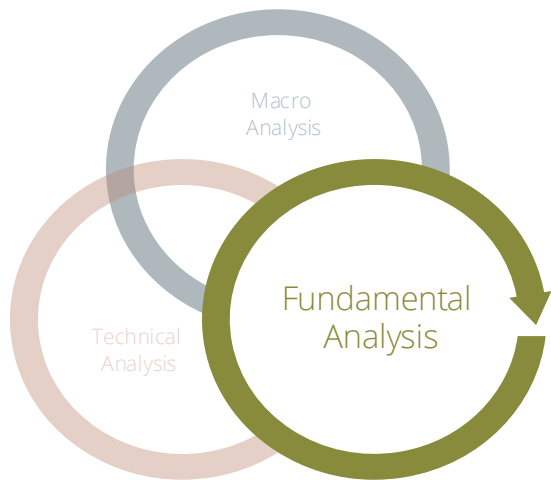
Monitoring Valuations

Valuations are above long-term averages. However, wide valuation spreads between high- and low-priced securities remains. Also, valuations alone are not good timing tools.

Valuation dispersion

Dispersion between the forward P/E of S&P 500 stocks in the 20th and 80th percentile





What Execs Are Saying

Management commentary has had a constructive and dynamic tone recently.

“The ChatGPT moment for physical AI is here.”

– Jensen Huang (NVIDIA)

“The U.S. economy has remained resilient. While labor markets have softened, conditions do not appear to be worsening. Meanwhile, consumers continue to spend, and businesses generally remain healthy.”

– Jamie Dimon (JPMorgan)

“We see [a] resilient customer that makes really smart choices for what’s right for them and their families at the time they’re shopping. Shoppers are being selective, but consistent, in their spending patterns.”

– John Furner (Walmart)

“The company (Microsoft) sometimes doesn't have enough electricity to install all the AI GPUs in its inventory, leading to chips sitting in inventory that I can't plug in.”

- Satya Nadella (Microsoft)

Review: Themes for 2025

Review: Actionable Opportunities in 2025



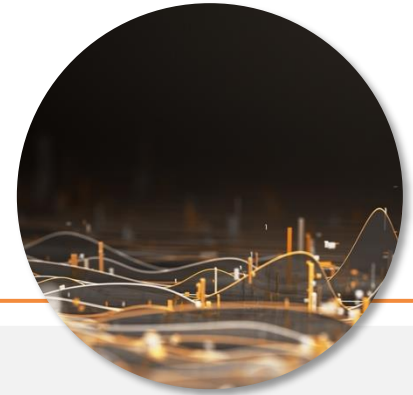
AI / POWER GENERATION

- AI is a new industrial revolution
- Power generation is inadequate
- Widespread adoption of AI technologies is still in its infancy



CAPITAL INVESTMENT

- Financials: M&A, IPO revival, deregulation
- Industrials: CapEx spending has been below trend over the past several years



STAY ACTIVE

- Narrowness will likely broaden out – “barbell” approach
- Increased volatility will provide opportunities for stock selection due to mispricings

Themes for 2026

Actionable Opportunities in 2026



MARKET: Extension Through Rotation

- Broadening market helps with longevity
- Rotational, not distributive
- New highs for former laggards recently (e.g., value, small caps, etc.)



ECONOMY: Shifting to a Higher Gear

- Current 'GDPNow' estimates are ~5.3%
- Fiscal tailwinds grabbing the baton
- Benefits of the OBBB accrue in '26



AI: The Next Phase – Sharing the Love

- Broader corporate adoption
- AI efficiency gains to inflect in '26
- Tangible signs of productivity improvement



MANAGING HIGHER DISPERSION: Get Active, Stay Active

- Dynamic backdrop: sustained market themes, fresh opportunities, and percolating risks
- Historically wide valuation spreads
- Lower correlations; expect greater dispersion in investment results

Q & A

Thank You

For additional questions or to schedule an introductory consultation, please contact us at
bakerave.com/contact or email us at **info@bakerave.com**



Purpose. Passion. Performance.

Since 2004, BakerAvenue has guided clients through personal and professional transitions. Our firm provides comprehensive wealth management and investment expertise for high-net-worth individuals, families, trusts, foundations, and endowments.

We're headquartered in San Francisco with offices in New York, Dallas, Houston, Seattle, San Diego, and Naples.