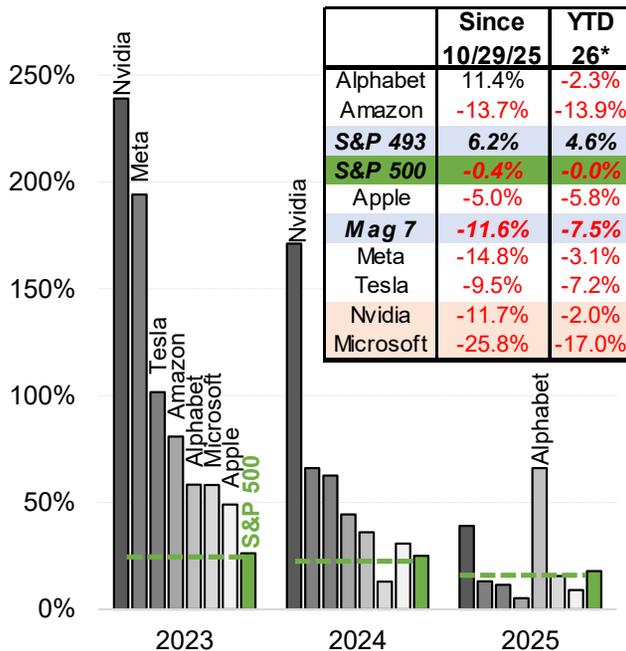


# Market Rotation and Leadership Dispersion

## Mag 7 Performance Dispersion



## Recent Earnings Results vs. Stock Reactions

	Nvidia	Microsoft
<b>Earnings Release Date</b>	11/19/25	1/28/26
<b>Revenue Growth (YoY)</b>	•Data center revenue +66%	•Revenue +15% •EPS +24%
<b>Profitability / Cash Flow</b>	•Operating margin expanded •FCF > \$80bn annualized	•Operating income +21%
<b>AI / Core Metric</b>	•Data center revenue > \$50bn •AI demand strong through next year	•Azure grw +39% •AI capex sharply higher
<b>Stock Reaction: 2-Day Return</b>	-4.1%	-10.7%

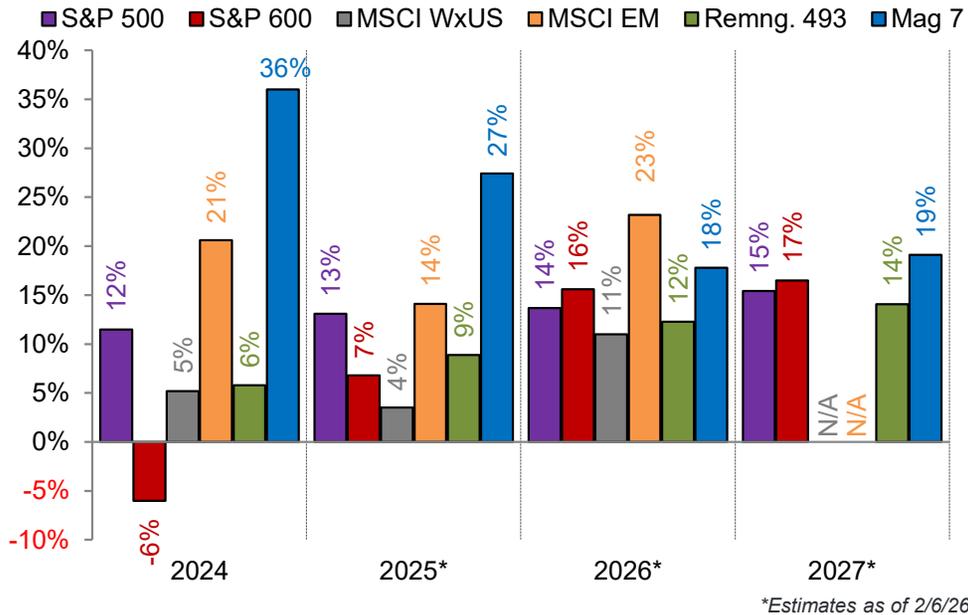
## Mag 7 vs S&P 493 – Relative Price Performance



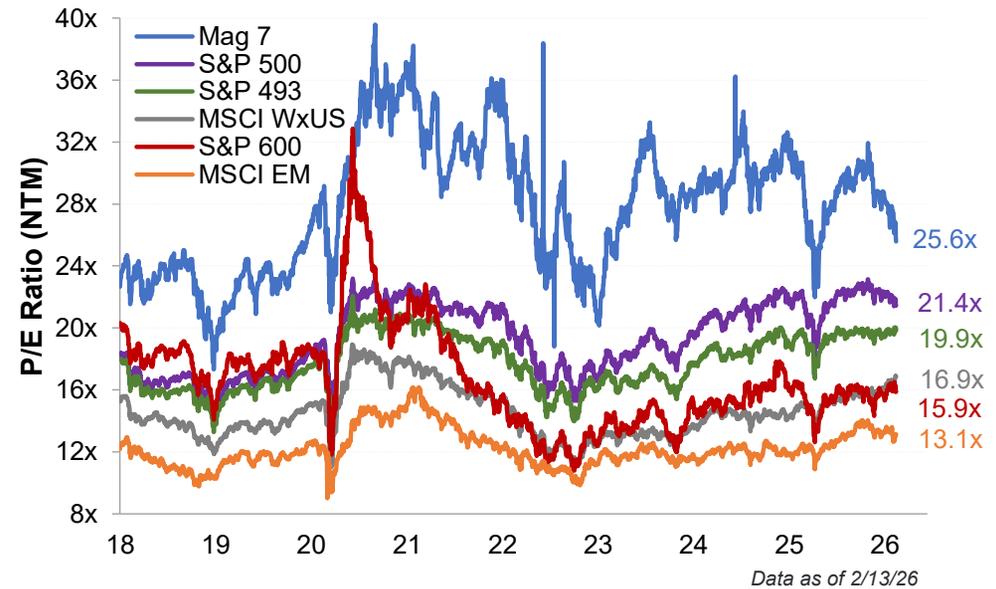
- Since late October, performance has rotated away from the largest mega-cap stocks, with the Magnificent 7 lagging broader market-cap segments into early 2026 and dispersion increasing as only a subset of names contributed meaningfully to returns.
- Recent earnings from Nvidia and Microsoft showed strong fundamentals, with Nvidia reporting 66% year-over-year data-center revenue growth and expanding operating margins, and Microsoft reporting 15% revenue growth and 24% EPS growth. Both stocks declined following their earnings releases, adding to dispersion within the Magnificent 7.
- Relative price performance shows this leadership shift, with the Mag 7's ratio versus the S&P 493 rising into late 2025 before moderating.

# Global Equities – Growth Expectations and Market Valuations

Annual EPS Growth Forecast: Sel. Indices



Valuations – P/E Ratio (NTM): Sel. Indices

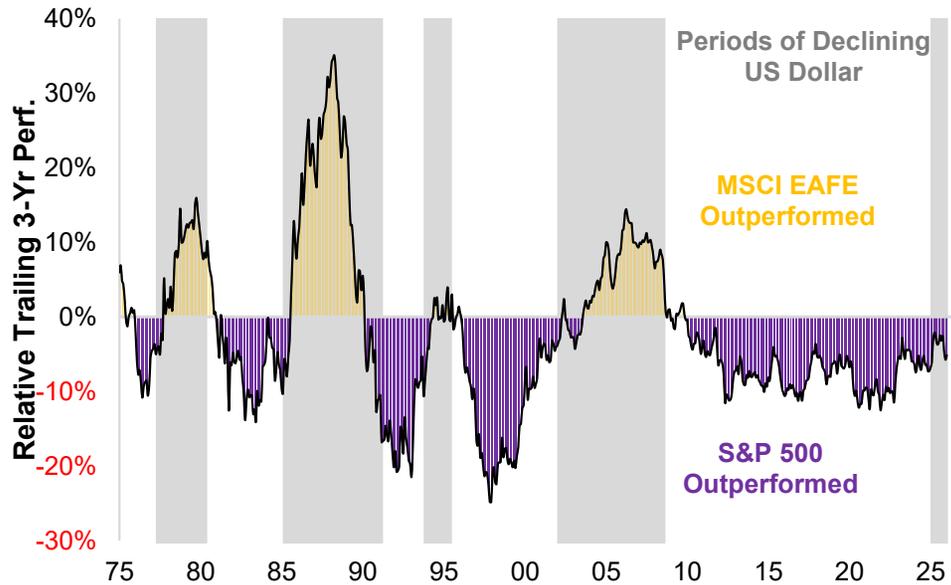


- Earnings growth expectations for 2025 remain concentrated in the largest U.S. technology firms, though next year's outlook appears more broadly aligned across major regions. U.S. large and small caps, together with global ex-U.S. markets, are following similar forward trajectories, suggesting a more balanced profit outlook internationally.
- Valuation gaps remain notable, particularly among large-cap U.S. technology stocks. P/E ratios for major U.S. benchmarks continue to sit above long-term averages, supported by strong performance in high-growth sectors, while valuations across other regions are closer to historical norms.

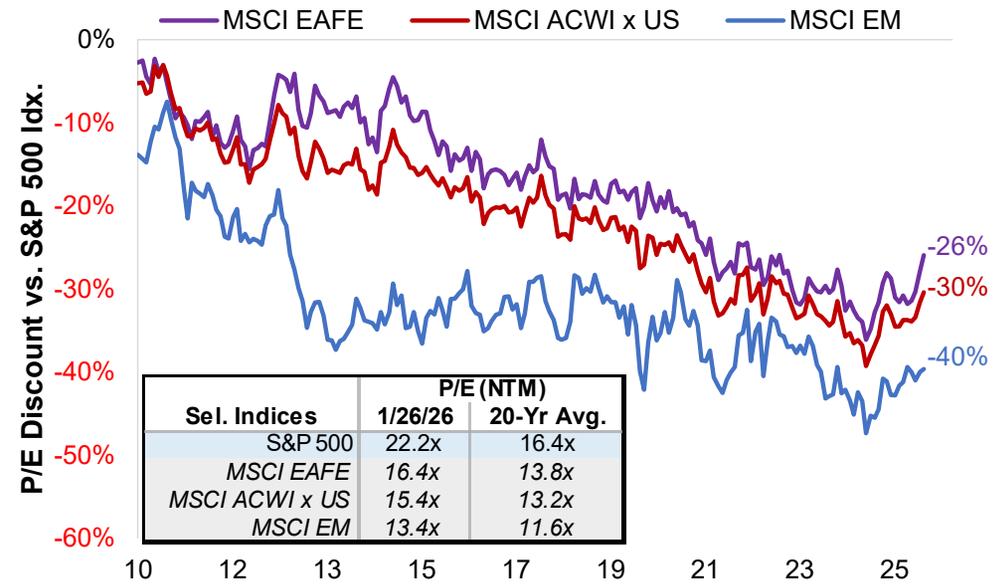
# U.S. & International Stocks

## Relative Equity Performance and U.S. Dollar Cycles

**Rel. Trailing 3-Year Performance  
S&P 500 vs MSCI EAFE & U.S. Dollar Cycles**



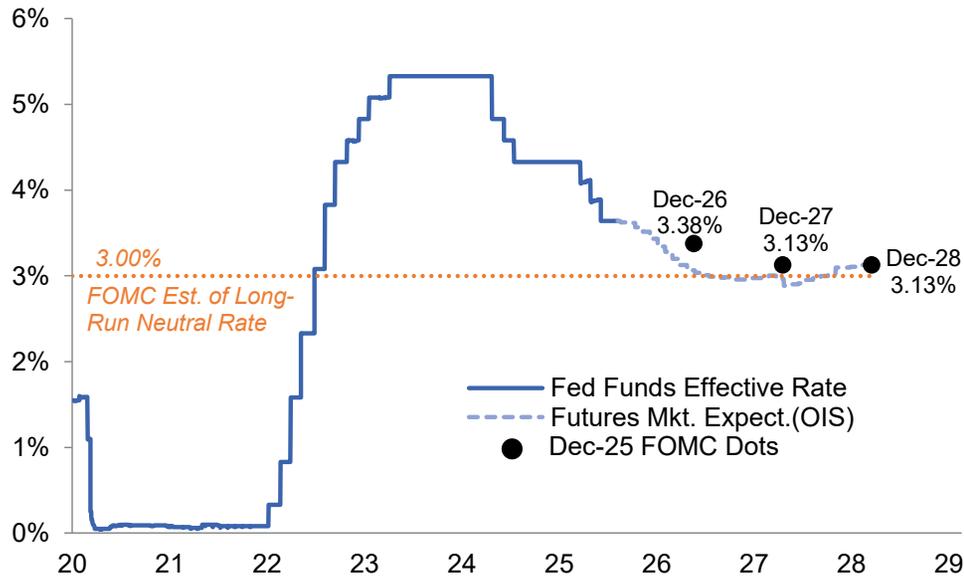
**Valuations: P/E (NTM) Discount vs. U.S.**



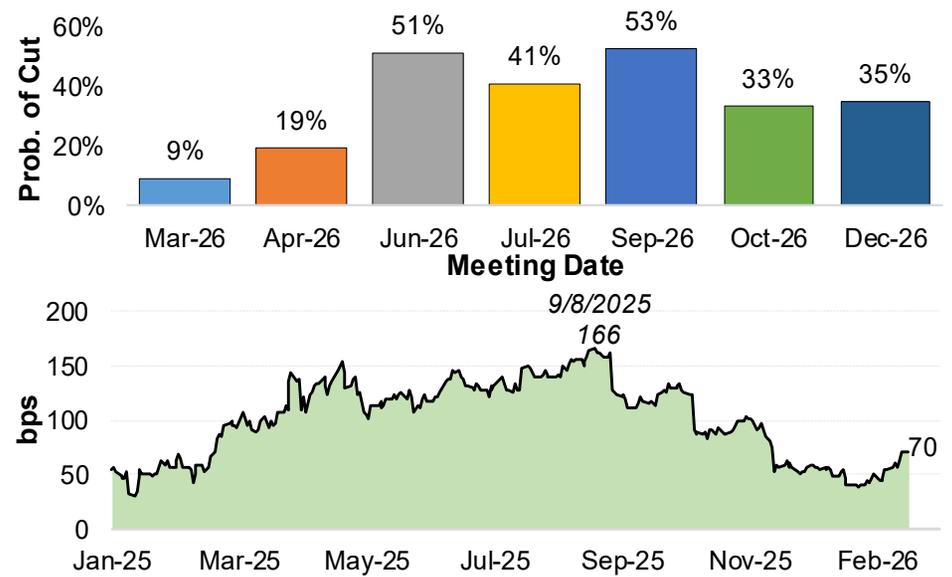
- Over long cycles, U.S. and international equities have taken turns outperforming, with relative performance often influenced by currency dynamics, global growth conditions, and shifts in market leadership.
- Historically, periods of U.S. dollar weakness have tended to coincide with stronger international equity performance, supported by favorable currency translation and cross border capital flows.
- The recent dollar cycle has favored U.S. equities, contributing to sustained U.S. outperformance, while international markets trade at a meaningful valuation discount, reinforcing the role of global diversification in portfolios.

# Federal Reserve – Interest Rate Expectations

## FOMC Projections & Market Expectations



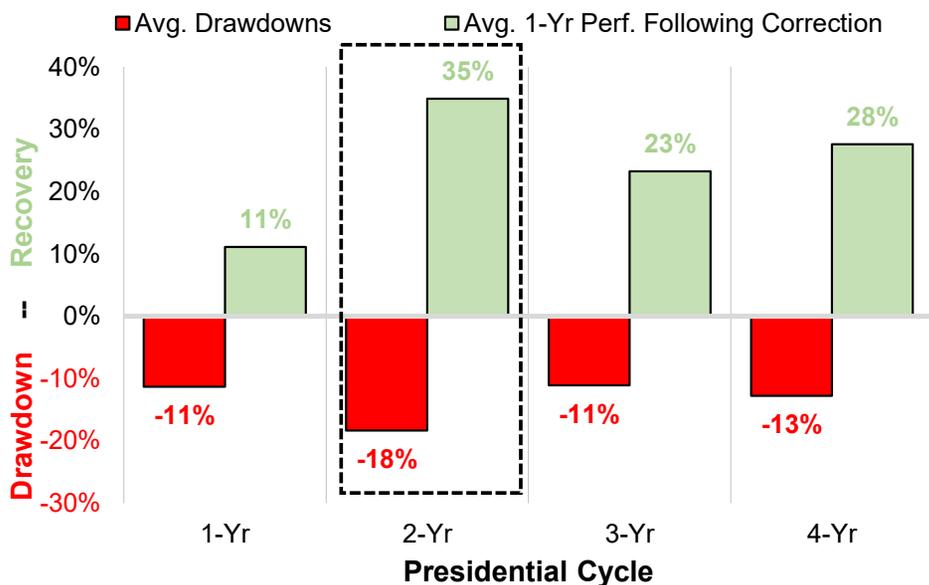
## Market Probability & Expectations for Rate Cuts in 2026



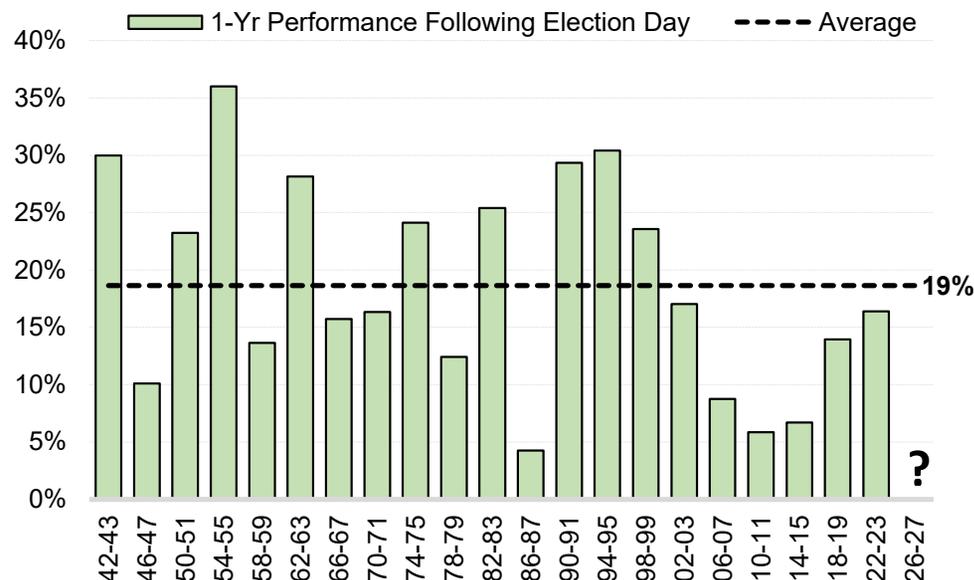
- The Fed held policy rates steady at 3.50%–3.75% at the January meeting following three cumulative cuts last year, citing solid economic activity, easing inflation pressures, and signs of a gradually cooling labor market. Policymakers emphasized continuity and a data-dependent approach as the Fed approaches a leadership transition later this year.
- The latest dot plot shows one additional cut in 2026, while markets still price in roughly three. Futures remain modestly more dovish than the Fed’s projections, reflecting wider uncertainty and a more dispersed range of views among participants.
- The Fed revised GDP growth higher for 2026 and beyond, driven in part by post-shutdown normalization and early productivity gains. Policymakers highlighted rising downside risks to employment and reaffirmed a meeting-by-meeting approach as inflation readings continue to ease.

# S&P 500 Performance Around Midterm Elections

**Avg. Drawdowns & Recoveries by Presidential Cycle 1960-2024**



**1-Year Performance Following Midterm Elections 1942-2023**



- Midterm election years (Year 2 of the presidential cycle) have historically been the most volatile, with larger average intra-year drawdowns than the other three years of the cycle.
- Despite higher volatility during midterm years, the S&P 500 has typically delivered strong 1-year performance following midterm elections, with returns above the long-term average.
- Historically, the S&P 500 has not experienced a negative 12-month return following a midterm election since 1942, regardless of political party outcomes.