

Michael Gibbs, Managing Director, Lead Portfolio Manager | (901) 579-4346 | michael.gibbs@raymondjames.com
Joey Madere, CFA | (901) 529-5331 | joey.madere@raymondjames.com
Richard Sewell, CFA | (901) 524-4194 | richard.sewell@raymondjames.com
Mitch Clayton, CMT, Senior Technical Analyst | (901) 579-4812 | mitch.clayton@raymondjames.com

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Weekly Market Guide

Resilient Market Amid Ongoing Rotation: Resiliency remains a defining theme as we enter 2026. The S&P 500 continues to hold firm, even as the pace of gains has consolidated in recent months. This has allowed oscillators and prior divergences to reset toward neutral territory, while several technical indicators continue to strengthen. Although crosscurrents persist—such as lingering divergences in RSI and advance/decline lines—there are early signs of stabilization. At the same time, the percentage of constituents trading above key moving averages and recent breakouts in transports and industrials offer constructive signals. The market tone continues to favor a pro-cyclical bias, with Materials and Industrials showing improving technical momentum.

No Santa Rally, but January Begins on Solid Footing: Despite the absence of the typical year-end “Santa Rally,” the S&P 500 has started January with encouraging strength. The index gained 1.11% in the first five trading days. Historically, when the year begins with positive returns over this period, **the S&P 500 has finished higher 84% of the time**. The remainder of January will be important to watch. If early gains hold, it would add confidence to the upward bias for equities in 2026—echoing the old market adage: “As goes January, so goes the year.”

Midterm Election Year: Policy Noise Returns to the Forefront: The recent surge in political headlines served as a reminder that 2026 is a midterm election year, with affordability emerging as a central theme for voters. While President Trump may not have unilateral authority to enact all proposed policies, several sectors have already felt the impact of his rhetoric.

- **Payment processors** came under pressure following calls for a one-year cap of 10% on credit-card interest rates—an initiative framed as consumer-friendly but challenging for the industry.
- Conversely, **homebuilders** responded positively to proposals aimed at addressing housing affordability, including the potential purchase of \$200B in mortgages to help drive rates lower. **Aerospace and Defense** stocks also benefited after the President announced plans to request a \$1.5T defense budget, representing a substantial increase from the recently authorized \$900B.

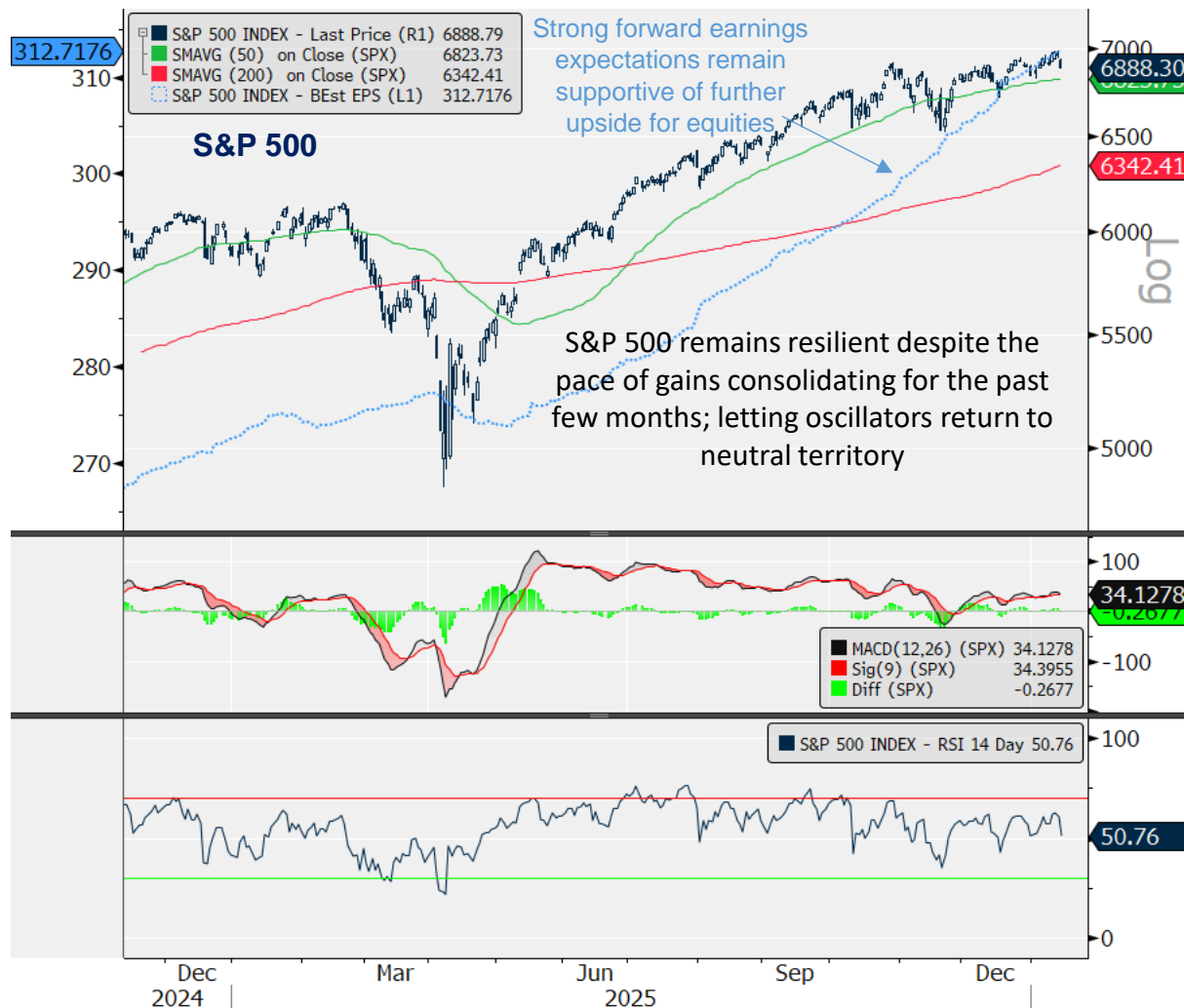
While Washington-driven volatility is likely to persist, the policy emphasis on affordability—combined with expected stimulus from the OBBB—may help sustain consumer spending, supporting our constructive outlook on earnings.

| Equity Market Indices | Price Return | |
|--------------------------|--------------|-----------|
| | Year to Date | 12 Months |
| Dow Jones Industrial Avg | 2.3% | 16.3% |
| S&P 500 | 1.7% | 19.3% |
| S&P 500 (Equal-Weighted) | 3.2% | 13.2% |
| NASDAQ Composite | 2.0% | 24.2% |
| Russell 2000 | 6.1% | 20.0% |
| MSCI All-Cap World | 2.3% | 24.8% |
| MSCI Developed Markets | 2.8% | 33.5% |
| MSCI Emerging Markets | 4.8% | 41.7% |
| NYSE Alerian MLP | 4.7% | 3.2% |
| MSCI U.S. REIT | 2.1% | 3.6% |

| S&P 500 Sectors | Price Return | |
|------------------------|--------------|------------------|
| | Year to Date | Sector Weighting |
| Materials | 7.5% | 1.9% |
| Industrials | 5.8% | 8.5% |
| Energy | 5.2% | 2.9% |
| Consumer Staples | 4.5% | 4.8% |
| Consumer Discretionary | 4.1% | 10.6% |
| Communication Svcs. | 2.1% | 10.6% |
| S&P 500 | 1.7% | - |
| Real Estate | 1.7% | 1.7% |
| Health Care | 1.2% | 9.5% |
| Utilities | 0.4% | 2.2% |
| Information Technology | 0.3% | 33.9% |
| Financials | -1.1% | 13.0% |

Source: FactSet

Technical: S&P 500



Key Catalysts and Technical Levels to Watch:

Earnings season for 4Q'25 unofficially began yesterday, and early expectations call for solid YoY earnings growth of 7.7%. This reinforces our view that earnings will be the primary driver of market performance in 2026. Beyond earnings, investors will be monitoring several additional catalysts:

- A pending Supreme Court decision on tariffs (delayed from last Friday)
- The January 30th deadline for a partial government shutdown, though appetite for another shutdown appears limited
- Elevated geopolitical tensions, including developments in Venezuela and Iran
- Any further reaction to recent allegations involving Chairman Powell and renewed scrutiny of Federal Reserve independence

From a technical perspective, we are watching **7,162** as initial resistance for the S&P 500, with support at **6,823** (the 50-day moving average), followed by **6,760**.

Source: Bloomberg, FactSet

Divergences Returning to Neutral

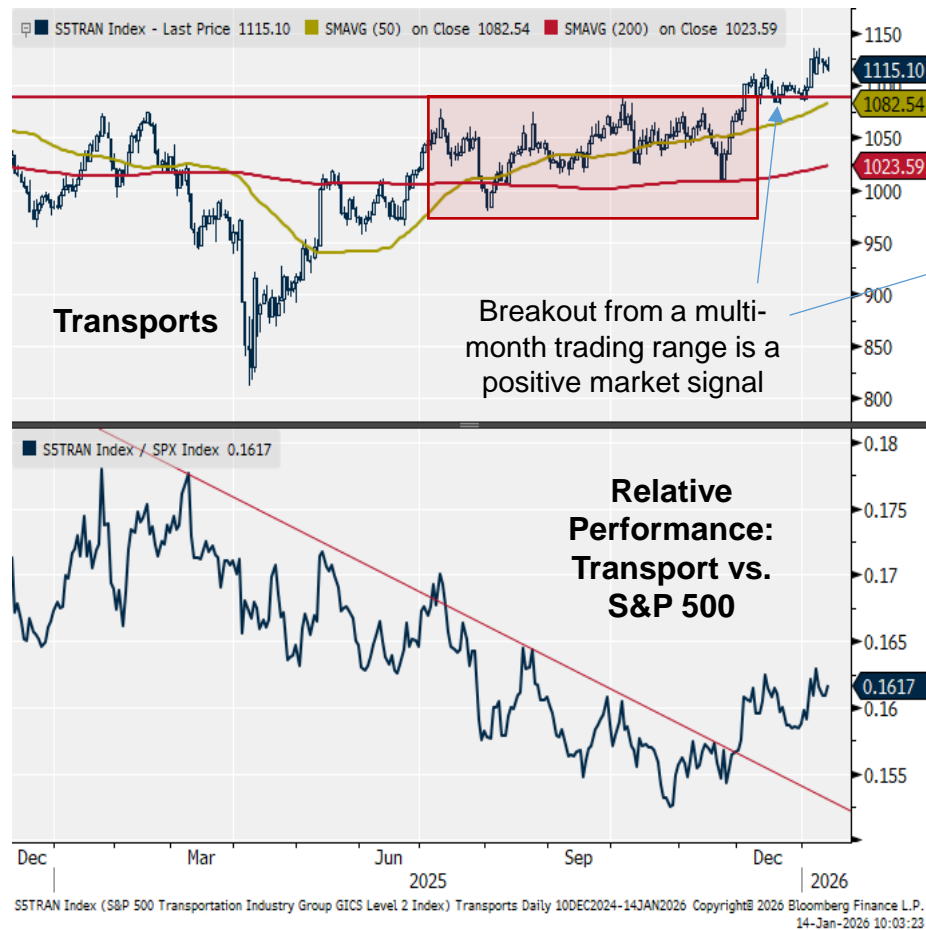
While divergences are not reliable timing tools, they do raise the likelihood of a consolidation phase. With the pace of gains already moderating over the past few months, several of the previously noted divergences have begun to revert toward neutral. We view this normalization as a constructive sign of the market's underlying resiliency.



Source: Bloomberg, FactSet

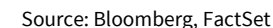
Transports and Industrials

For followers of Dow Theory, the recent breakout from a prolonged basing period in both the Transports and the Industrials stands out as a notably bullish signal for the broader market.



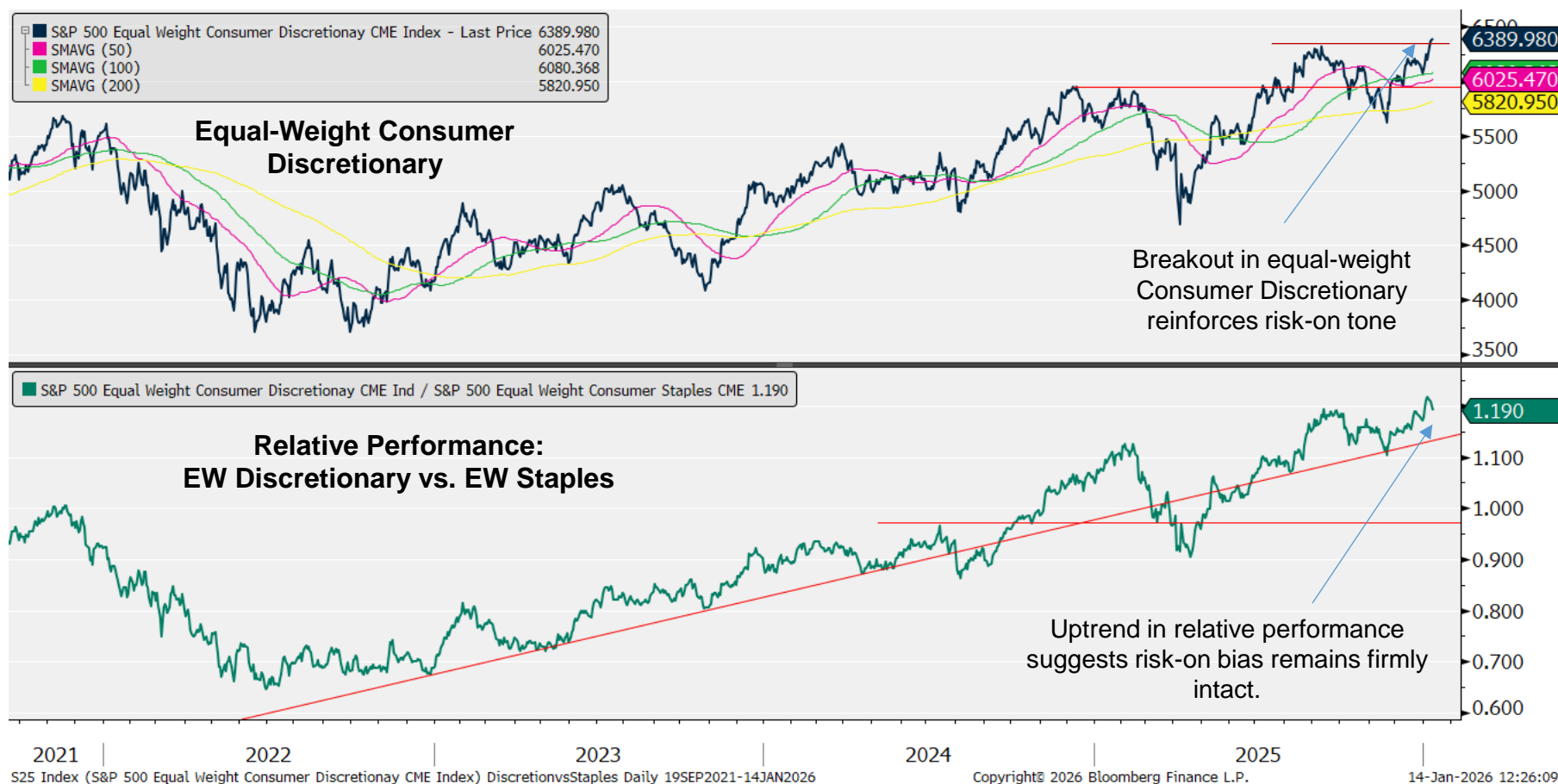
Source: Bloomberg, FactSet

The market continues to show resilience despite ongoing rotation. A clear pro-cyclical bias has emerged, with sectors such as Materials and Industrials posting meaningful improvement. In contrast, momentum within Technology has begun to fade. Defensive areas—most notably Utilities—have also experienced a sharp deceleration and have slipped into laggard territory. Overall, this broadening of market leadership remains a constructive development for sustaining equity strength.



Risk-On Bias

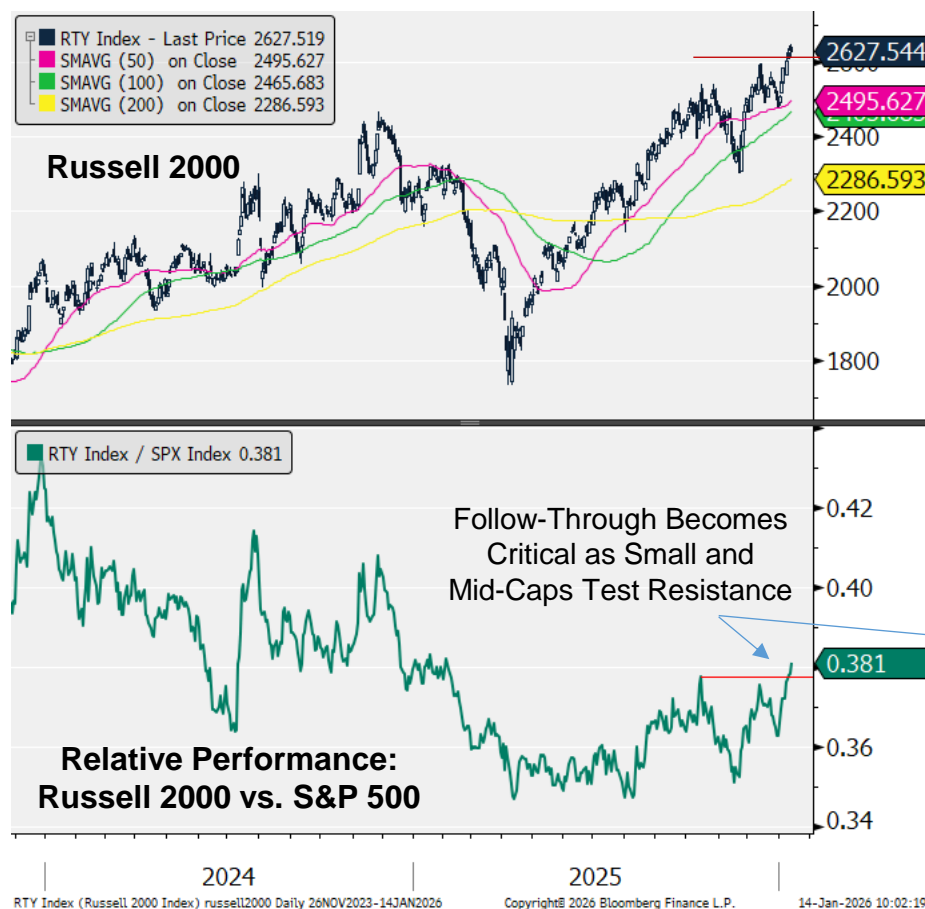
The risk-on bias remains firmly intact, with the relative performance of equal-weight Consumer Discretionary versus Staples sustaining its uptrend and approaching new highs. In addition, the equal-weight Consumer Discretionary sector itself appears well-positioned for a breakout, further reinforcing the market's risk-on tone.



Source: Bloomberg, FactSet

Market Breadth Improving

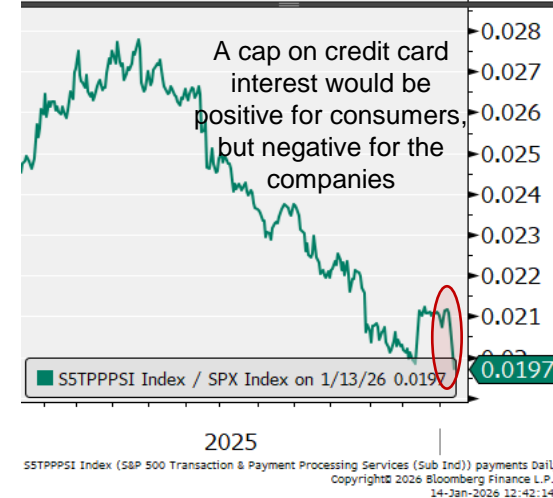
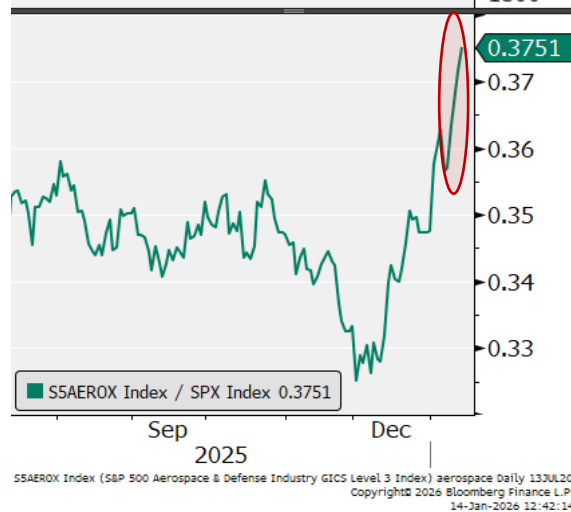
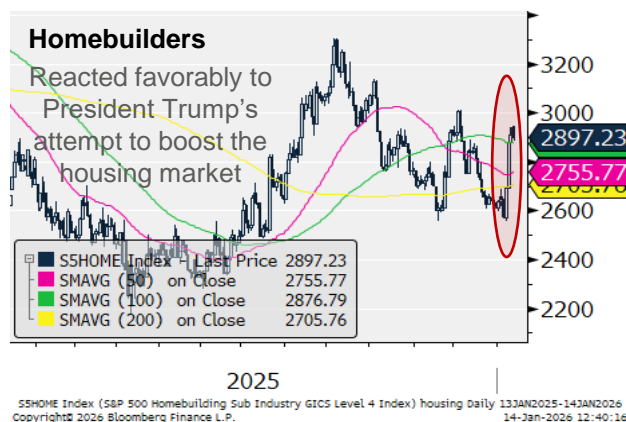
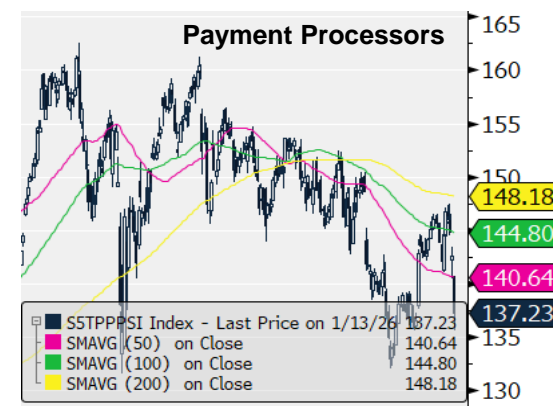
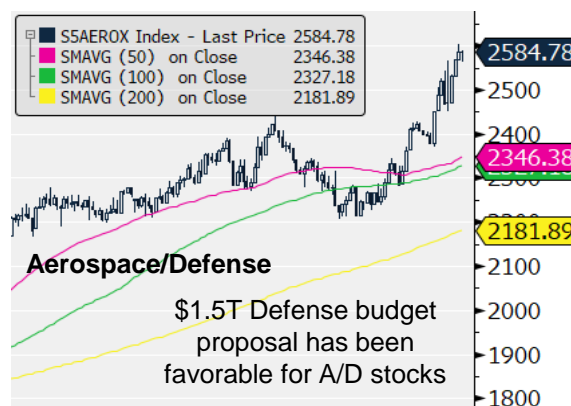
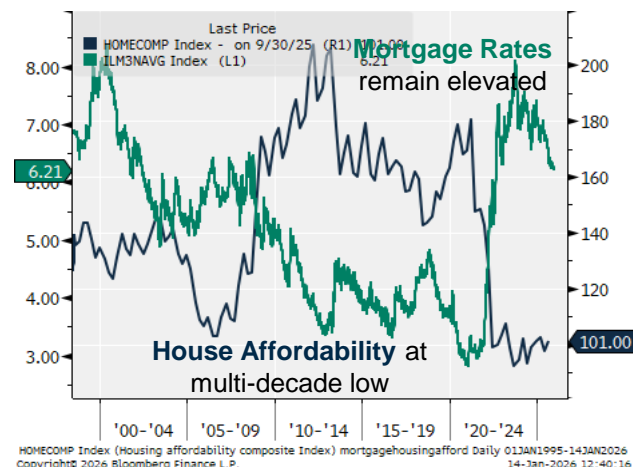
Breadth continues to improve further down the market-cap spectrum, highlighted by recent breakouts in both the Russell 2000 and mid-cap indexes. While prior breakout attempts have faltered, both are now approaching key resistance levels, making follow-through especially important.



Source: Bloomberg, FactSet

Political Crosshairs

Affordability is emerging as a central theme for voters as we approach the midterm elections. Over the past week, several sectors have found themselves pulled into Washington's political crosshairs. The broader message is straightforward: maintaining affordability is critical to sustaining consumer spending, which in turn underpins our constructive outlook for continued economic growth.



Source: Bloomberg, FactSet

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Index Definitions

The **S&P 500** is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

The **Dow Jones Industrial Average (DJIA)** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

The **NASDAQ Composite** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The **MSCI World All Cap Index** captures large, mid, small and micro-cap representation across 23 Developed Markets (DM) countries. With 11,732 constituents, the index is comprehensive, covering approximately 99% of the free float-adjusted market capitalization in each country.

The **MSCI EAFE (Europe, Australasia, and Far East)** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in 23 emerging market countries. The index's three largest industries are materials, energy, and banks.

The **Russell 2000** index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks.

The **NYSE Alerian MLP** is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

The **Barclays Intermediate Government/Credit Bond** index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

The **Euro Stoxx 50 Index** is a market capitalization weighted stock index of 50 large, blue-chip European companies operating within Eurozone nations. Components are selected from the Euro STOXX Index which includes large-, mid- and small-cap stocks in the Eurozone.

The **China CSI 300** is a capitalization-weighted stock market index designed to replicate the performance of top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. It had a sub-indexes CSI 100 Index and CSI 200 Index.

The **S&P 500 Futures** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **DJIA Futures** is a stock market index futures contract traded on the Chicago Mercantile Exchange`s Globex electronic trading platform. Dow Futures is based off the Dow 30 stock index.

The **Nasdaq 100 Futures** is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international companies listed on the NASDAQ.

Europe: DAX (Deutscher Aktienindex (German stock index)) is a blue chip stock market index consisting of the 40 major German companies trading on the Frankfurt Stock Exchange.

Asia: Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.