



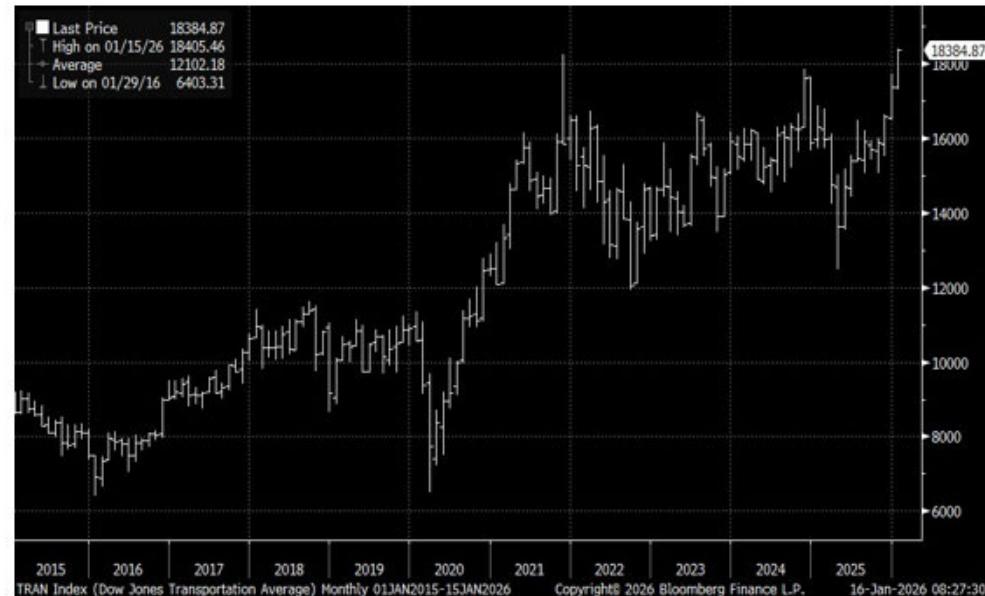
January 20, 2026

The Bull Is Still Charging

The equity market is finally broadening out with the Dow Jones Industrial Transportation Average (DJTA) breaking to new all-time highs, finally surpassing its November 2021 high.

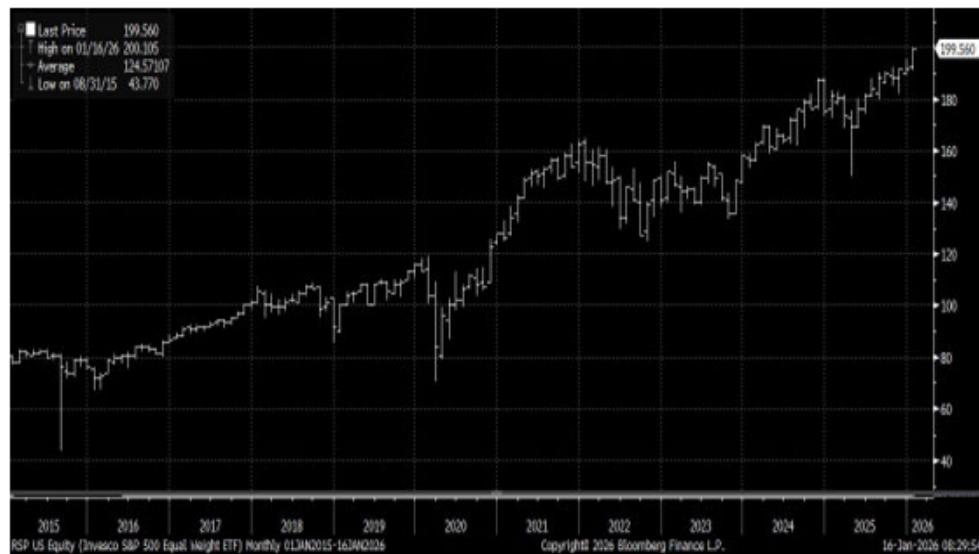
Small caps have moved to record highs along with the equal-weighted S&P 500. The broadening out of the market has moved the NYSE Cumulative Advance–Decline Line to an all-time high along with our volume model moving to record highs – both indicators confirming the breakouts in the market. This is evidence that the bull market continues to charge forward in 2026 – but just with higher volatility, which remains one of our themes for the year ahead. The S&P 500 remains overbought, which could lead to additional volatility, but investors should remain fearless as we do expect the S&P 500 to reach 7500 by year-end for an 8% gain from current levels.

Dow Jones Industrial Transportation Average Hits First New High Since 2021

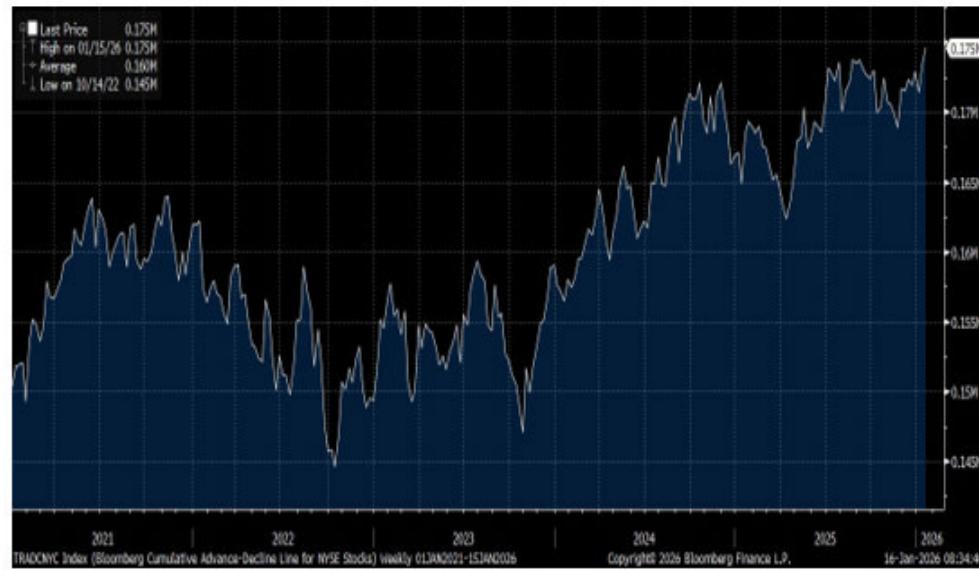


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Invesco Equal Weight S&P 500 (RSP) Breaks To Record Highs



NYSE Cumulative Advance-Decline Line Hits Record High



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Cumulative Net Volume Hits Record High



Source: Bloomberg, January 15, 2026

Small Caps: False Rally Or Is It Real This Time?

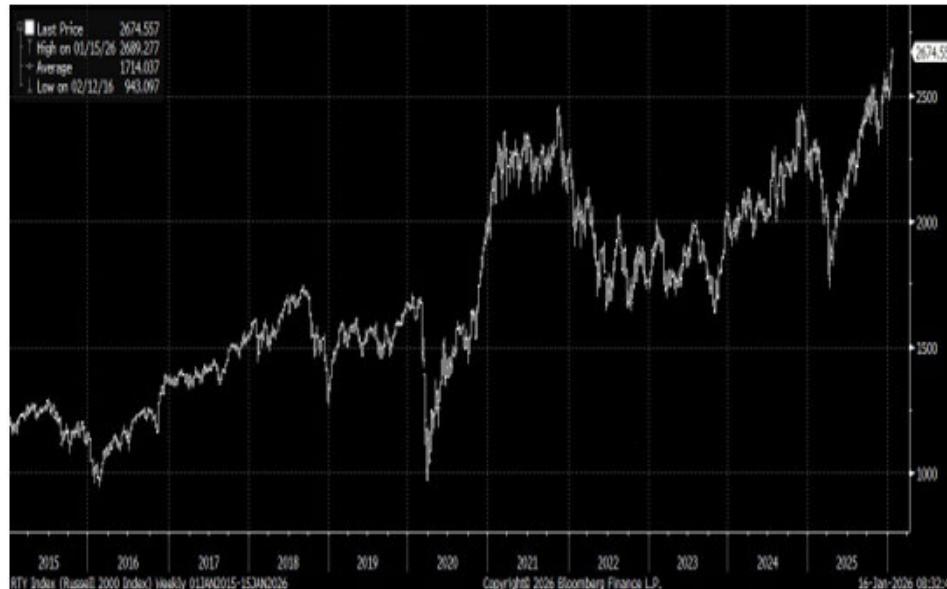
We have been negative on small caps for years, but the group is finally enjoying a strong rally. While small caps are known to outperform in January (a seasonal pattern known as the January Effect), investors are now asking whether this rally signals a more durable period of outperformance relative to large caps. Small caps have not done well due to weaker earnings power, particularly when compared with mega-cap stocks. However, recent data suggests that small-cap earnings have bottomed and are beginning to improve. Earnings estimate revisions are turning higher, and year-over-year earnings forecasts appear to have bottomed. The equity market trades on the change in direction of asset classes. With a trough and improvement in earnings for small caps, this rally may just be real!

When we look at how small caps are performing relative to large caps, they are breaking an important downtrend. If this holds, it would also We would begin to consider adding small caps to portfolios for diversification.

confirm that small caps have made a bottom relative to large caps.

We believe this is the year portfolios need diversification, particularly to defend against market volatility.

Russell 2000 Small-Cap Index Hits All-Time High



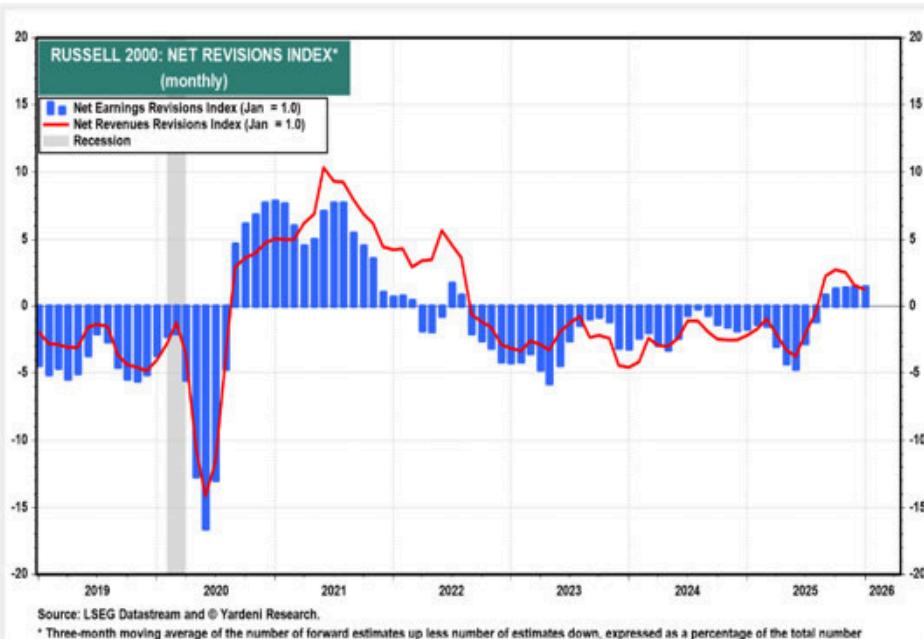
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Russell 2000 Improving Relative To S&P 500



Source: Bloomberg, with annotations by Sanctuary Wealth January 16, 2026

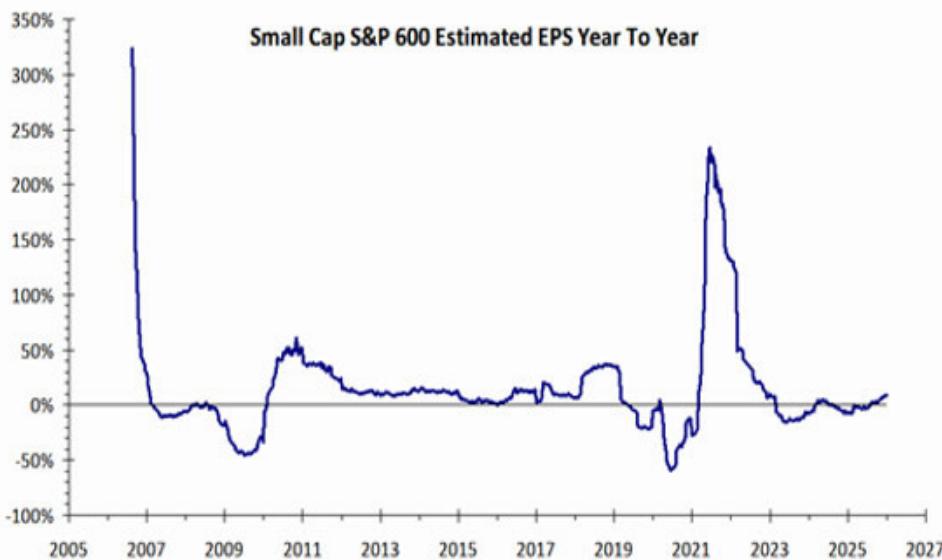
Earnings Estimate Revisions Are Improving For Small Caps



Source: Yardeni Research, January 2026

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Small-Cap Earnings Appear To Have Bottomed And Are Improving



Source: Bloomberg, Sanctuary Wealth, January 2026

With Geopolitical Events & News Almost Daily, Cash Levels Are Rising

Cash levels continue to rise and are currently at \$7.7 Trillion. This is a long-term positive for the equity market. We would anticipate this level to continue to rise with any increased market volatility and fears of continued geopolitical risk.

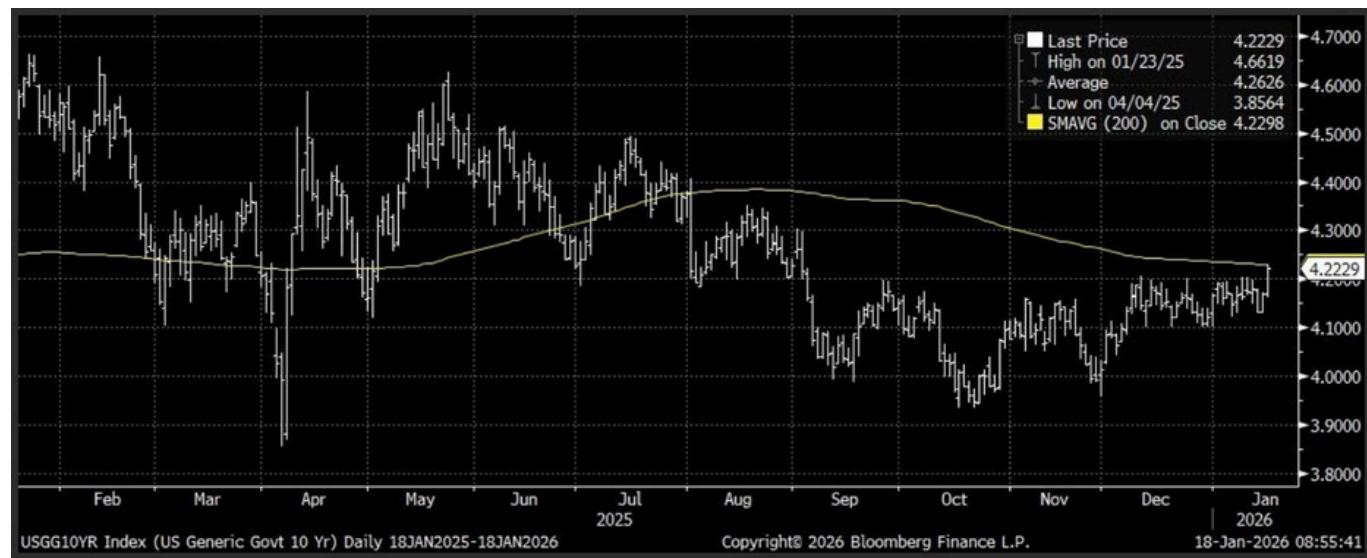
ICI Money Market Funds Continue To Hit Records At \$7.7 Trillion



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What To Watch: 10-Year Treasury Yields Moving Higher

Last week President Trump indicated that Kevin Hassett is likely to stay in his current role of Director of National Economic Council, raising the odds that the new Federal Reserve Chair will be Kevin Warsh. Warsh is known for being a hawk on the Board of Governors at the Federal Reserve. This news moved the 10-year Treasury yield higher, breaking a key technical level of 4.20% and is testing the 200-day moving average at 4.22%. A break of this level would indicate this rate is moving higher. The risk is a move toward 4.30%-4.40%, which could cause volatility for the equity market.



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Sector Readings: Communication Services Strongest, Followed By Industrials; Real Estate Weakest

Communication Services was strongest last week, but it was followed by Industrials rather than Information Technology. Information Technology had ranked first or second for 31 consecutive weeks, alternating with Communication Services since mid-June. Real Estate is in last place, followed by Consumer Staples: these two sectors have been swapping the bottom two positions for 7 of the past 8 weeks.

Our sector model analyzes S&P 500 GICS sector classifications, using a weighted measure of price momentum across three time periods. We rank each sector from best to worst based upon the average of its 40-, 26-, and 13-week relative price performances. We rank each sector from 1-11 with 1 being the strongest and 11 the weakest.

Sector Rankings By 40-, 26-, And 13-Week Average Relative Price Performance

	Jan 16	Jan 9	Jan 2	Dec 26	Dec 19	Dec 12	Dec 5	Nov 28
Consumer Discretionary	4	3	5	3	3	3	4	6
Consumer Staples	10	10	11	10	9	10	11	11
Energy	5	8	8	9	10	8	7	7
Financials	8	7	6	6	6	6	8	8
Healthcare	6	5	3	4	4	4	3	3
Industrials	2	4	4	5	5	5	5	5
Information Technology	3	2	2	2	2	1	2	2
Materials	7	6	7	7	7	9	9	9
Communication Services	1	1	1	1	1	2	1	1
Utilities	9	9	9	8	8	7	6	4
Real Estate	11	11	10	11	11	11	10	10

Source: Bloomberg, Sanctuary Wealth, January 16, 2026

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OBOS List: Industrials and Materials Overbought, Utilities Oversold

Industrials and Materials are overbought, with Energy and Healthcare near overbought. Utilities are oversold, while Information Technology is near oversold.

Our tactical sector rotation model uses the S&P 500 GICS sector classifications. We apply a 13-week rate of change methodology that normalizes the rankings from overbought (OB) to oversold (OS). An industry group is overbought when it has risen too far too fast, relative to the rest of the market, based upon its normal movement. Conversely, it's oversold when it has lost too much too fast, relative to the rest of the market, based upon its normal movement. Over time, a sector tends to move back toward its normal rate of change, relative to the rest of the market. Overbought sectors tend to slow their pace of gains in relative price, while oversold sectors tend to improve in relative price until they reach their average performance again.

Here's our methodology: the overbought-oversold table of sectors measures the 13-week rate of change in the relative price of each sector. We then average (i.e., smooth) this for 3 weeks and normalize the results. Normalized oscillator values over 1.0 are considered overbought, while those between 0.6 and 1.0 are considered near overbought. Normalized oscillator values below -1.0 are considered oversold, while those between -0.6 and -1.0 are considered near oversold.

Sector Overbought / Oversold List as of 16 January 2026

rank	S&P Sector	normalized Oscillator
1	Industrials	1.5009
2	Materials	1.0335 <i>Overbought</i>
3	Energy	0.7960
4	Healthcare	0.6765 <i>Near Overbought</i>
5	Communication Services	0.5381 <i>Neutral</i>
6	Consumer Discretionary	0.2391
7	Financials	0.0299
8	Consumer Staples	-0.1707
9	Real Estate	-0.3680 <i>Neutral</i>
10	Information Technology	-0.6818 <i>Near Oversold</i>
11	Utilities	-1.1437 <i>Oversold</i>

Source: Bloomberg, Sanctuary Wealth, January 16, 2026

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Market Performance: Silver Best Performing Asset So Far This Year, Industrials Best Performing Sector

	Last	Month End	Month to Date	Quarter End	Quarter to Date	Year End	Year to Date	Year Ago	Year To Year
	1/16/2026	12/31/2025		12/31/2025		12/31/2025		1/16/2025	
S&P 500	6940.01	6845.50	1.4%	6845.50	1.4%	6845.50	1.4%	5937.34	16.9%
NASDAQ Composite	23515.39	23241.99	1.2%	23241.99	1.2%	23241.99	1.2%	19338.29	21.6%
NASDAQ 100	621.26	614.31	1.1%	614.31	1.1%	614.31	1.1%	513.08	21.1%
Russell 2000	2677.74	2481.91	7.9%	2481.91	7.9%	2481.91	7.9%	2266.79	18.1%
S&P Consumer Discretionary Sector	1976.41	1928.43	2.5%	1928.43	2.5%	1928.43	2.5%	1849.15	6.9%
S&P Consumer Staples Sector	914.28	864.89	5.7%	864.89	5.7%	864.89	5.7%	837.89	9.1%
S&P Energy Sector	733.95	687.34	6.8%	687.34	6.8%	687.34	6.8%	709.32	3.5%
S&P Financial Sector	904.49	911.60	-0.8%	911.60	-0.8%	911.60	-0.8%	828.35	9.2%
S&P Health Care Sector	1815.12	1805.89	0.5%	1805.89	0.5%	1805.89	0.5%	1645.23	10.3%
S&P Industrials Sector	1412.74	1313.14	7.6%	1313.14	7.6%	1313.14	7.6%	1159.62	21.8%
S&P Information Technology Sector	5651.40	5684.00	-0.6%	5684.00	-0.6%	5684.00	-0.6%	4526.33	24.9%
S&P Materials Sector	615.85	574.41	7.2%	574.41	7.2%	574.41	7.2%	552.28	11.5%
S&P Real Estate Sector	266.51	255.03	4.5%	255.03	4.5%	255.03	4.5%	258.29	3.2%
S&P Communications Sector	454.28	452.39	0.4%	452.39	0.4%	452.39	0.4%	344.88	31.7%
S&P Utilities Sector	440.96	433.81	1.6%	433.81	1.6%	433.81	1.6%	400.37	10.1%
S&P 500 Total Return	15439.47	15220.46	1.4%	15220.46	1.4%	15220.46	1.4%	13041.19	18.4%
3 month Treasury Bill Price	99.09	99.09	0.0%	99.09	0.0%	99.09	0.0%	98.93	0.2%
3 month Treasury Bill Total Return	268.48	268.01	0.2%	268.01	0.2%	268.01	0.2%	257.41	4.3%
10 Year Treasury Bond Future	111.75	112.44	-0.6%	112.44	-0.6%	112.44	-0.6%	108.61	2.9%
10 Year Treasury Note Total Return	315.18	316.61	-0.5%	316.61	-0.5%	316.61	-0.5%	294.12	7.2%
iShares 20+ Year Treasury Bond ETF	87.80	87.16	0.7%	87.16	0.7%	87.16	0.7%	87.04	0.9%
S&P Municipal Bond Total Return	291.90	290.00	0.7%	290.00	0.7%	290.00	0.7%	276.53	5.6%
iShares S&P National Municipal Bond NAV	107.60	106.85	0.7%	106.85	0.7%	106.85	0.7%	105.73	1.8%
S&P 500 Investment Grade Corporate Bond Total Return	500.03	499.46	-0.1%	499.46	0.1%	499.46	0.1%	464.69	7.6%
S&P Investment Grade Corporate Bond	92.67	92.75	-0.1%	92.75	-0.1%	92.75	-0.1%	90.05	2.9%
S&P Investment Grade Corporate Bond Total Return	533.56	532.99	0.1%	532.99	0.1%	532.99	0.1%	495.58	7.7%
SPDR Bloomberg High Yield Bond ETF	97.82	97.21	0.6%	97.21	0.6%	97.21	0.6%	96.37	1.5%
iShares iBoxx High Yield Corporate Bond ETF	81.09	80.63	0.6%	80.63	0.6%	80.63	0.6%	79.39	2.1%
Gold	4596.09	4319.37	6.4%	4319.37	6.4%	4319.37	6.4%	2714.31	69.3%
Bitcoin	95475.98	87647.54	8.9%	87647.54	8.9%	87647.54	8.9%	100135.61	-4.7%
Silver	90.13	71.66	25.8%	71.66	25.8%	71.66	25.8%	30.81	192.5%

Source: Bloomberg, Sanctuary Wealth, January 16, 2026

Earnings, Economic Data, Davos & Geopolitics On Tap This Week

This week it's all about domestic economic data and international action plans.

Markets will continue to digest a tsunami of earnings, key economic releases [including GDP and the Fed's preferred inflation gauge, Core Personal Consumption Expenditures (PCE)], as well as commentary emerging from Davos. At the World Economic Forum Annual Meeting, President Trump is expected to outline elements of a new housing affordability strategy. Layered on top of all this, there are ongoing geopolitical developments – from Venezuela and Iran to Greenland and Ukraine – that raise the risk of near-term volatility. Still, markets have been performing well and broadening out – reinforcing the case for investor patience and a well-diversified portfolio.



Calendar

Mon.	None scheduled, Martin Luther King Jr. holiday	
Tue.	Earnings	Netflix, KeyCorp, U.S. Bancorp*
Wed.	10:00 am	Construction spending (delayed report)
	10:00 am	Pending home sales
	Earnings	Charles Schwab
Thu.	8:30 am	Initial jobless claims
	8:30 am	GDP (first revision)
	10:00 am	Personal income (delayed report)
	10:00 am	Personal spending (delayed report)
	10:00 am	PCE index (delayed report)
	10:00 am	PCE (year-over-year)
	10:00 am	Core PCE index
	10:00 am	Core PCE (year-over-year)
	Earnings	GE Aerospace, Intel
Fri.	10:00 am	Consumer sentiment (final)
	9:45 am	S&P flash U.S. services PMI
	9:45 am	S&P flash U.S. manufacturing PMI
	Earnings	Booz Allen Hamilton

+August results

++September results

*Earnings reflect highlights

Source: MarketWatch/Kiplinger's/CNBC

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