Outlook 2026:
Position Your Portfolio for What's Next

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2026 Equity Outlook

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2025: A Surprisingly Good Year for the S&P 1500

CFRA

The Market Has Climbed a Very High Wall of Worry

Regions/Sizes/Sectors	% Chg.	Best S&P 1500 Sub-Industries	% Chg.
Communication Services	34.4	Diversified Metals & Mining	155.1
S&P Developed Ex-U.S. BMI	**28.1**	Gold	126.2
Info. Technology	25.1	Heavy Electrical Equipment	91.9
S&P 500 Growth	**22.6**	Electronic Components	85.1
Nasdaq-100	**22.3**	Semiconductor Mat'ls & Equip.	72.7
S&P Emerging BMI Index	**20.1**	Electronic Manufacturing Services	65.6
S&P 500	**16.8**	Passenger Ground Transportation	51.5
Industrials	16.4	Renewable Electricity	50.8
Utilities	13.5	Interactive Media & Services	47.8
Health Care	10.7	Health Care Distributors	46.1
S&P 500 Value	**10.5**	**Worst S&P 1500 Sub-Industries**	**% Chg.**
Financials	10.1	Brewers	(24.0)
S&P MidCap 400	**6.4**	Diversified Chemicals	(24.9)
Energy	6.0	Cable & Satellite	(25.0)
S&P SmallCap 600	**5.1**	Managed Health Care	(29.5)
Consumer Discretionary	4.5	Distillers & Vintners	(32.9)
Materials	4.4	Household Appliances	(38.2)
Consumer Staples	1.3	Paper Products	(38.3)
Real Estate	0.5	Commodity Chemicals	(39.0)
10-Yr Note Yield	**(9.6)**	Advertising	(41.2)
WTI Oil	**(16.2)**	Housewares & Specialties	(62.7)
Positive Sectors	**100%**	**Positive Sub-Industries**	**60%**

Source: CFRA, S&P Global. Data as of 12/5/25.

A Tale of Two Outlooks for 2026

Dueling Indicators

Negatives

- Elevated Valuations
- S&P 500 Market-Cap-to-U.S. GDP Ratio
- Mid-Term Election Year Volatility
- Narrow Breadth

Positives

- Year Two of Rate Easing Cycles
- Year Four of Bull Markets
- Coordinated All-Time Highs
- Strong Tech EPS Growth Expectations

Benchmarks and Sector NTM P/E Multiples

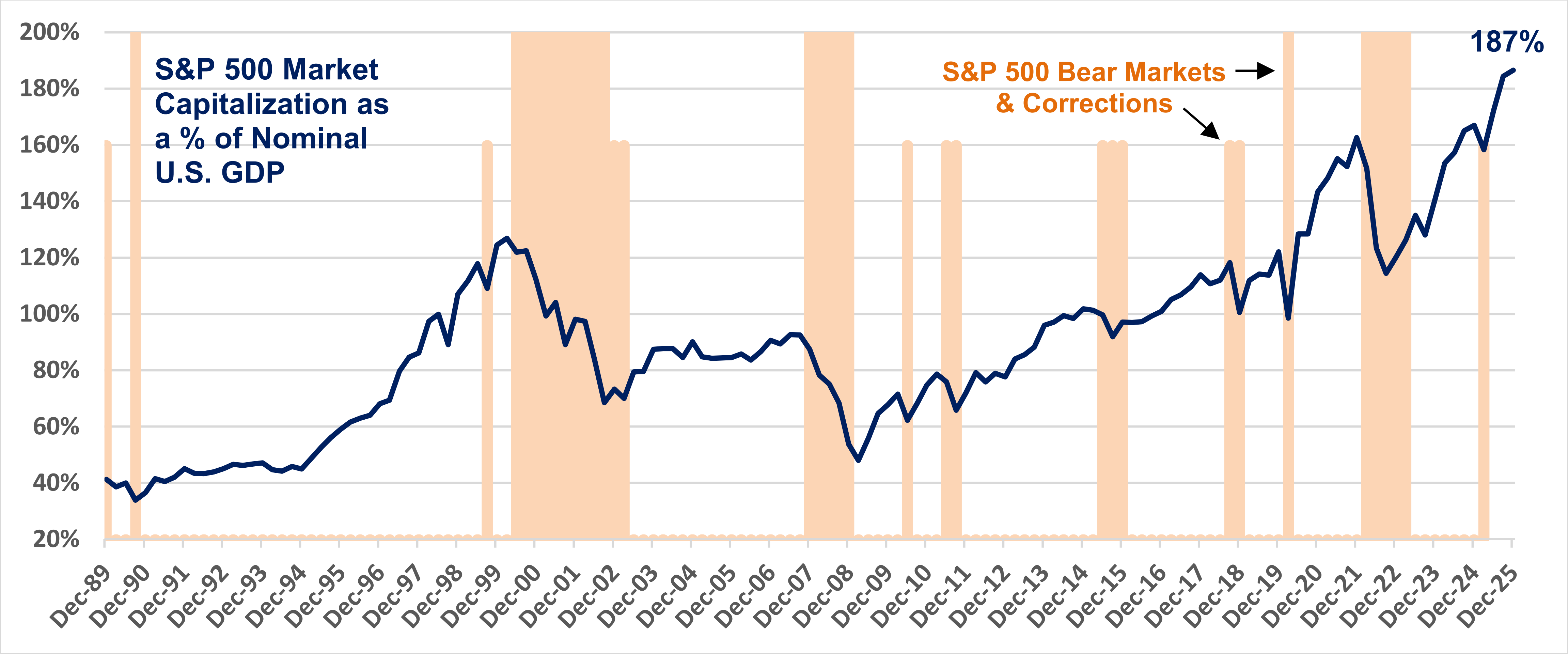
Forward S&P 500 P/E Had Reached Two Standard Deviations Above its 20-Year Mean

S&P 500 Sector	NTM P/E Ratio Today	NTM P/E Ratio 10/29	20-Year Avg. P/E	% 20Y (Prem./Disc.) Today	% 20Y (Prem./Disc.) 10/29
Communication Services	23	23	15.7	48	46
Consumer Discretionary	30	31	21.6	37	43
Consumer Staples	21	21	18.4	16	17
Energy	16	16	17.6	(9)	(9)
Financials	16	16	13.6	20	19
Health Care	19	18	15.6	20	17
Industrials	25	26	17.4	43	47
Information Technology	**29**	**33**	**19.4**	**51**	**72**
Materials	20	19	16.4	20	19
Real Estate	37	38	NA	NA	NA
Utilities	19	20	16.4	14	22
S&P 500	**23**	**24**	**16.9**	**38**	**44**

Source: CFRA, S&P Capital IQ Consensus Estimates. NTM: Next 12 Months. Past performance is no guarantee of future results. P/D: Premium/Discount. Data as of 12/5/25.

Buffett Rule: S&P 500 Mkt. Cap./U.S. Nominal GDP

Historically, 100% Indicated A Level of Concern



Source: CFRA, S&P Capital IQ Consensus Estimates, Bureau of Economic Analysis. Past performance is no guarantee of future results. Data as of 12/5/25.

Mid-Term Election Year (MTEY) Volatility Since 1946

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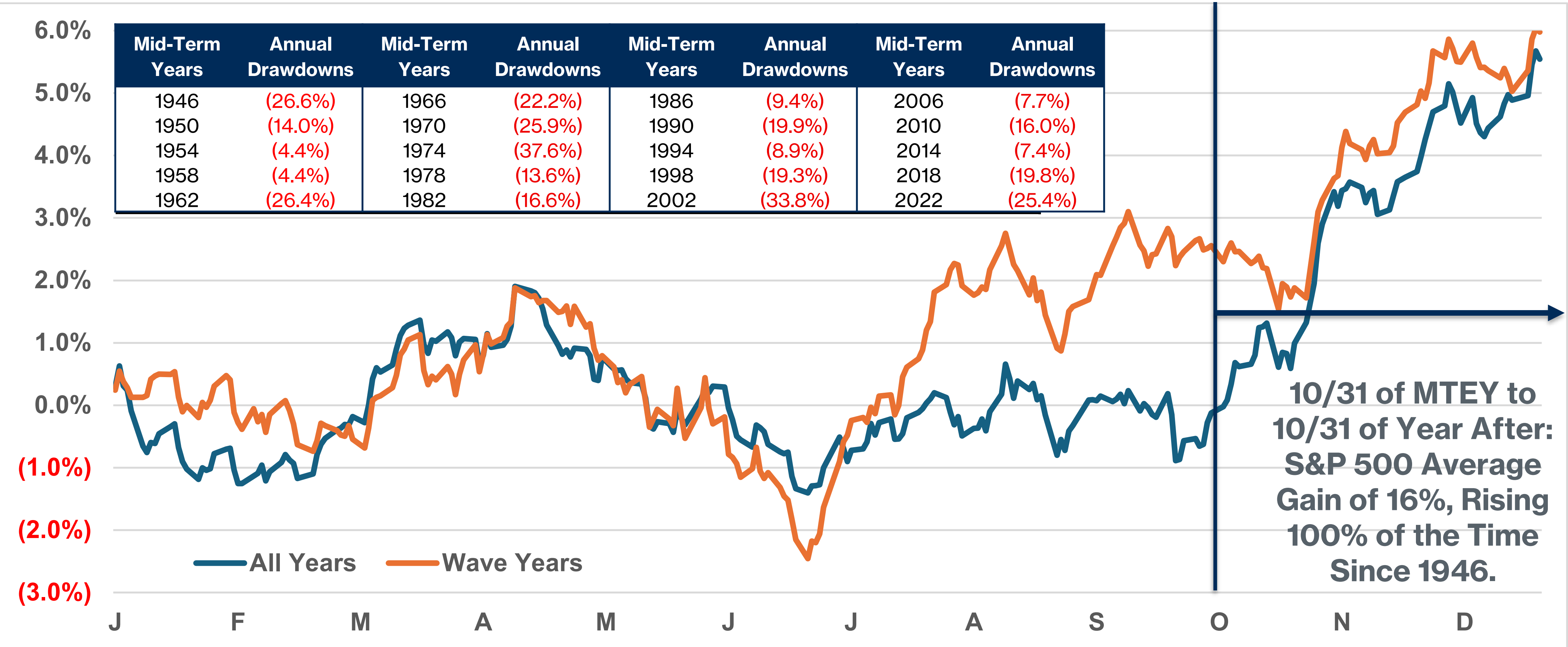
YTD Price Changes for the S&P 500 During All MTEYs and "Wave" Years

Mid-Term Years	Annual Drawdowns	Mid-Term Years	Annual Drawdowns	Mid-Term Years	Annual Drawdowns	Mid-Term Years	Annual Drawdowns
1946	(26.6%)	1966	(22.2%)	1986	(9.4%)	2006	(7.7%)
1950	(14.0%)	1970	(25.9%)	1990	(19.9%)	2010	(16.0%)
1954	(4.4%)	1974	(37.6%)	1994	(8.9%)	2014	(7.4%)
1958	(4.4%)	1978	(13.6%)	1998	(19.3%)	2018	(19.8%)
1962	(26.4%)	1982	(16.6%)	2002	(33.8%)	2022	(25.4%)



Source: CFRA, S&P Global. "Wave" Years: Election Years when Presidency and both houses of Congress are from the same party. Past performance is no guarantee of future results. Data as of 12/31/22.

Q4 & 2026 Optimism Offsets

Surprising Resilience Despite a High Wall of Worry

Swift Reaction to the Tariff Turmoil:

- Near Bear Market Decline 2/19/25-4/8/25

Typical Post-Correction Recovery Advance (10%+ Gain/Four Months) Despite:

- Softening Employment Picture, Sticky Inflation & Still Unsure Tariff Impact

Q3 & 2026 EPS Optimism:

- On target to be the 64th quarter out of the past 66 that actual results exceeded expectations
- Q3 EPS Growth > 2x Initial Estimate; Accelerating growth 2025 through 2027.

History Implies Enhanced Returns & Frequencies of gains:

- Year 2 of easing cycle, Q4 of Presidential Cycle, 4th Year of Bull Market

Average S&P 1500 Returns in Second Year of Rate Cuts

Rate Cuts Typically Continue to be Supportive of Further Stock Price Gains

Regions/Sizes/Sectors	% Chg.	Best S&P 1500 Sub-Industries	% Chg.
Financials	23.1	Semiconductor Materials & Equip.	46.9
S&P MidCap 400	**18.2**	Consumer Finance	40.2
Information Technology	17.3	Semiconductors	26.5
S&P SmallCap 600*	**16.1**	Diversified Banks	22.9
Nasdaq 100**	**15.6**	Personal Care Products	22.6
S&P 500 Growth*	**14.4**	Health Care Supplies	20.6
Health Care	14.0	Systems Software	20.4
S&P 500	**11.4**	Electrical Components & Equip.	20.0
Industrials	10.6	**Worst S&P 1500 Sub-Industries**	**% Chg.**
Energy	10.2	Oil & Gas Refining & Marketing	(0.2)
Consumer Staples	9.3	Construction & Engineering	(3.0)
S&P 500 Value*	**8.7**	IT Consulting & Other Services	(3.3)
Real Estate***	6.9	Wireless Telecom. Services	(4.0)
Consumer Discretionary	5.8	Computer & Electronics Retail	(6.5)
Utilities	4.5	Food Retail	(6.7)
Materials	3.9	Integrated Telecom. Services	(7.0)
Communication Services	0.7	Gold	(7.7)
Positive Sectors:	**100%**	**Positive Sub-Industries:**	**89%**

Source: CFRA, S&P Global. Past performance is no guarantee of future results.

*Data: 12/31/89-7/30/21. *Since 1995. **Since 2000. ***Since 2017.*

Bull Market Progression

CFRA

YEAR FOUR: Return to Double-Digit Growth

Bull Market		Full-Year S&P 500 Price Changes											Total	Duration
Start	End	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Yr. 6	Yr. 7	Yr. 8	Yr. 9	Yr. 10	Yr. 11	% Gain	in Mos.
5/17/47	6/15/48	19.0%	X										22	13
6/13/49	8/2/56	42.1%	11.9%	13.1%	-2.3%	20.0%	38.6%	17.2%	X				267	86
10/22/57	12/12/61	31.0%	9.7%	-4.8%	28.4%	X							86	50
6/26/62	2/9/66	32.7%	17.4%	2.0%	X								80	43
10/7/66	11/29/68	32.9%	6.6%	X									48	26
5/26/70	1/11/73	43.7%	11.1%	X									74	32
10/3/74	11/28/80	38.0%	21.2%	-7.1%	6.1%	6.8%	18.0%	X					126	74
8/12/82	8/25/87	58.3%	2.0%	13.4%	29.7%	36.6%	X						229	60
12/4/87	7/16/90	21.4%	29.3%	X									65	31
10/11/90	3/24/00	29.1%	5.6%	14.5%	1.1%	24.4%	20.9%	38.0%	1.8%	35.6%	X		417	113
10/9/02	10/9/07	33.7%	8.0%	6.6%	12.9%	15.9%	X						101	60
3/9/09	2/19/20	68.6%	15.7%	3.9%	13.2%	21.1%	10.7%	-4.3%	18.9%	17.8%	-1.6%	23.4%	401	131
3/23/20	1/3/22	74.8%	X										114	21
10/12/22	10/28/25	21.6%	33.7%	12.7%	4.9%	?	?	?	?	?	?	?	89	37
Average		**39.1%**	**14.4%**	**6.0%**	**12.7%**	**20.8%**	**22.1%**	**16.9%**	**10.3%**	**26.7%**	**-1.6%**	**23.4%**	**151**	**56**

Source: CFRA, S&P Global, Stock Trader's Almanac. Data: 12/31/44-10/28/25.

S&P 500 Earnings Growth Forecasts Through 2027

CFRA

EPS Growth Continues to Advance

Oper. EPS % Changes	S&P 500		
S&P Sectors	2025E	2026E	2027E
Communication Services	17.8	5.8	13.5
Consumer Discretionary	2.9	11.0	16.9
Consumer Staples	(0.9)	6.9	7.7
Energy	(11.3)	8.8	18.7
Financials	10.2	8.7	10.7
Health Care	13.0	8.7	11.5
Industrials	6.1	13.9	15.9
Information Technology	23.1	25.8	19.0
Materials	1.3	19.2	14.6
Real Estate	(4.9)	8.7	11.6
Utilities	9.6	8.4	8.8
S&P Indexes	**11.0**	**13.4**	**14.5**
S&P Growth	22.2	16.9	16.9
S&P Value	(1.5)	10.8	12.7

Source: CFRA, S&P Capital IQ Consensus Estimates. Data as of 12/5/25.

Macro Movements

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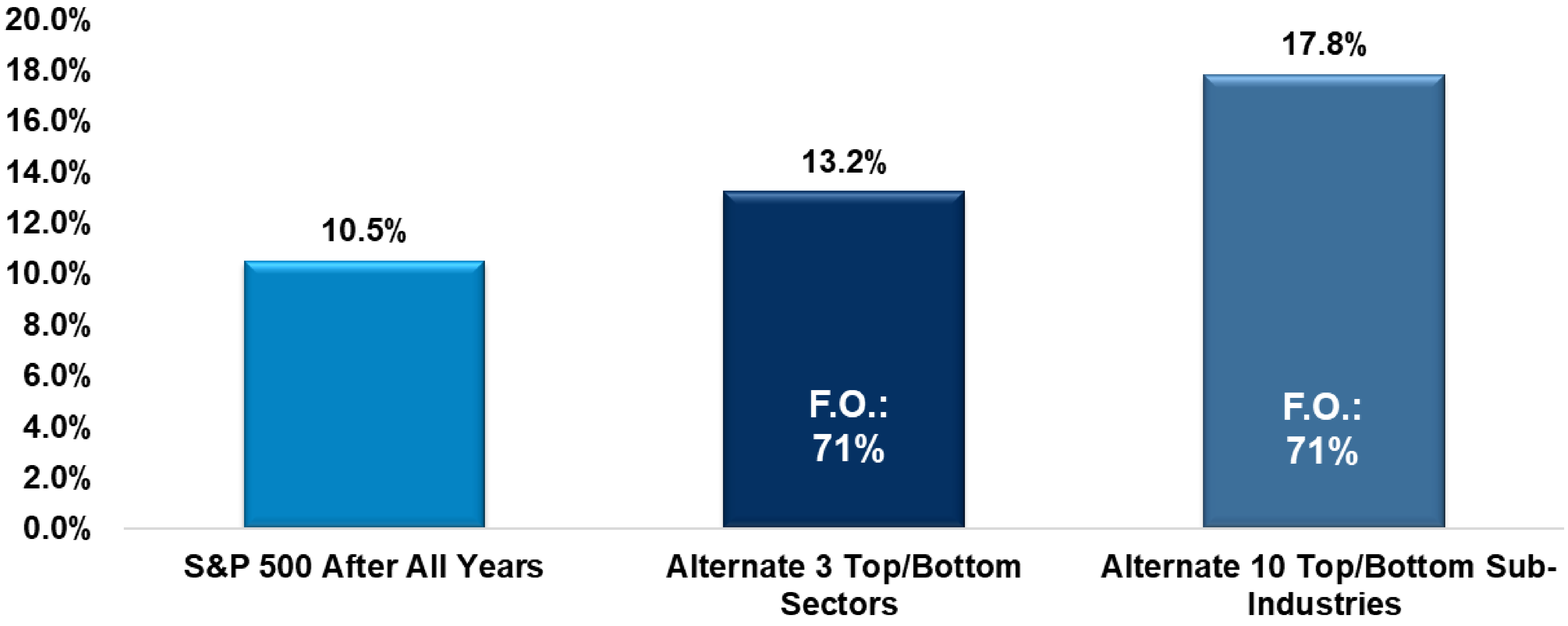
Forecasts Point To an Improvement in Economic Activity in 2026

Indicator	Year	Forecast	Year	Forecast
S&P 500 EPS	**2025E**	11.0%	**2026E**	13.4%
S&P 500 Revenue Growth	**2025E**	4.4%	**2026E**	6.8%
Real GDP Growth	**2025E**	2.0%	**2026E**	2.4%
Unemployment Rate (Q4)	**2025E**	4.5%	**2026E**	4.5%
Retail Sales Growth (Q4)	**2025E**	2.9%	**2026E**	3.6%
Core PCE Gr. (Q4)	**2025E**	2.8%	**2026E**	2.4%
Fed Funds Rate (Q4)	**2025E**	3.63%	**2026E**	3.13%
10-Year T-Note (Q4)	**2025E**	4.05%	**2026E**	3.60%
FRB Major $ Index Chg	**2025E**	(1.7%)	**2026E**	(0.1%)
WTI $ Average	**2025E**	65.00	**2026E**	64.00

Source: CFRA, S&P Global, Action Economics. Data as of 12/5/25.

“Let Your Winners Ride” (Usually)

Average Annual Price Gains After Up or Down Years for the S&P 500



Source: CFRA. Own top 3 sectors/top 10 sub-industries after up years, own bottom 3/bottom 10 after down years. F.O.: Frequency of Outperformance. Data as of 12/5/25.

Top 10 S&P 500 Sub-Industries

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TOP 3 SECTORS: Communication Services, Information Technology, Utilities

Sub-Industries	Favored S&P 500 Stocks
Electronic Components	Amphenol Corporation (APH 139 ****)
Electronic Manufacturing Services	TE Connectivity plc (TEL 234 ****)
Gold	Newmont Corporation (NEM 90 *****)
Health Care Distributors	McKesson Corporation (MCK 809 ****)
Health Care Facilities	Universal Health Services, Inc. (UHS 231 ****)
Heavy Electrical Equipment	GE Vernova Inc. (GEV 631 ****)
Leisure Products	Hasbro, Inc. (HAS 81 *****)
Passenger Ground Transportation	Uber Technologies, Inc. (UBER 91 ****)
Semiconductor Materials & Equipment	Lam Research Corporation (LRCX 159 ****)
Semiconductors	NVIDIA Corporation (NVDA 182 *****)

Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data as of 12/5/25.

Q4 2025 & 2026 Outlook Summary

This Bull Market Should Continue But Will Likely Face Stiffer Headwinds

- **Short & shallow post-correction pullback may already have occurred**
  - Post-correction gains averaged 10% over four months; up 11.6% June 27-Oct. 28.
  - Subsequent declines after such advances never exceeded 20%. Average decline of <10%.
  - Minor pullback does not imply a deeper decline to follow.
- **New highs in multiple markets point to additional near-term strength.**
- **Mid-term election year (MTEY) price volatility likely to challenge investor confidence**
- **MTEY drawdown deepest of four-year Presidential Cycle, averaging 18% since WWII.**
- **Continued upward revisions to S&P 500 EPS growth seen trimming elevated valuations.**

The Accidental Bull Market

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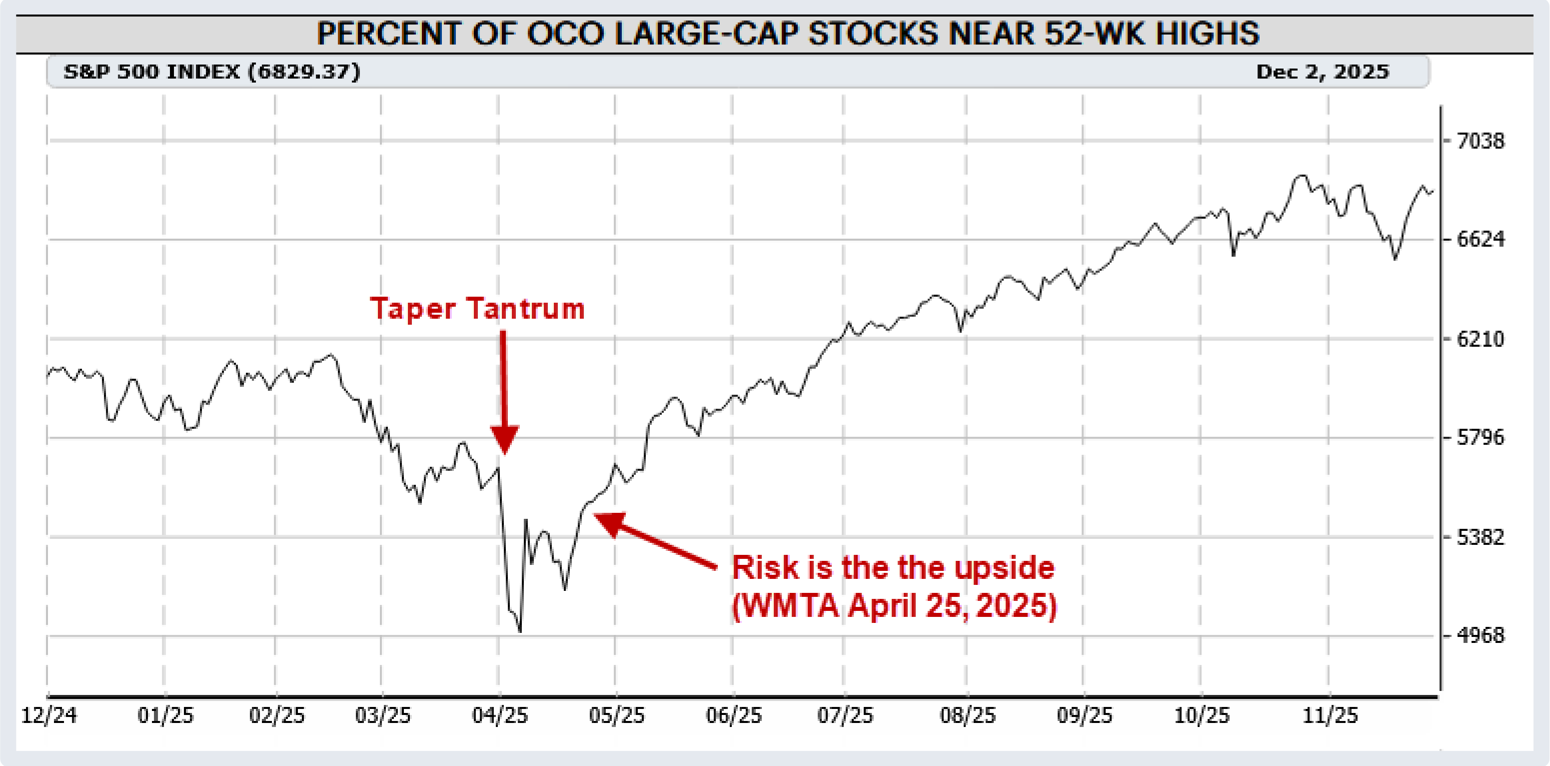
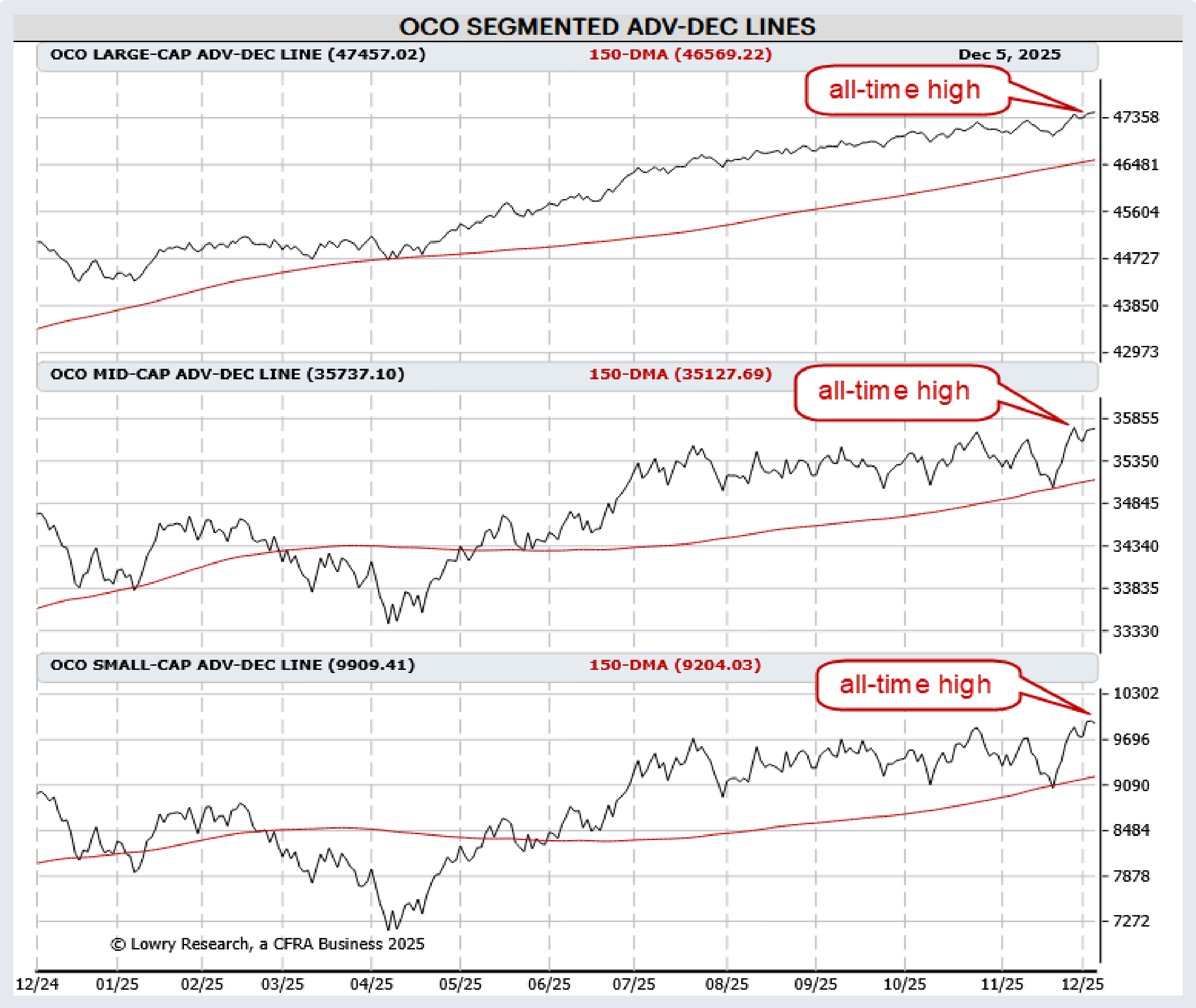
Reasons Not to Be Cheerful?

- Magnificent 7 vs. the rest
- Valuations are too high
- Small-Caps are lagging
- Gold is rising
- Exploding debt
- Government shutdown
- The Fed doesn't cut rates
- The Fed does cut rates



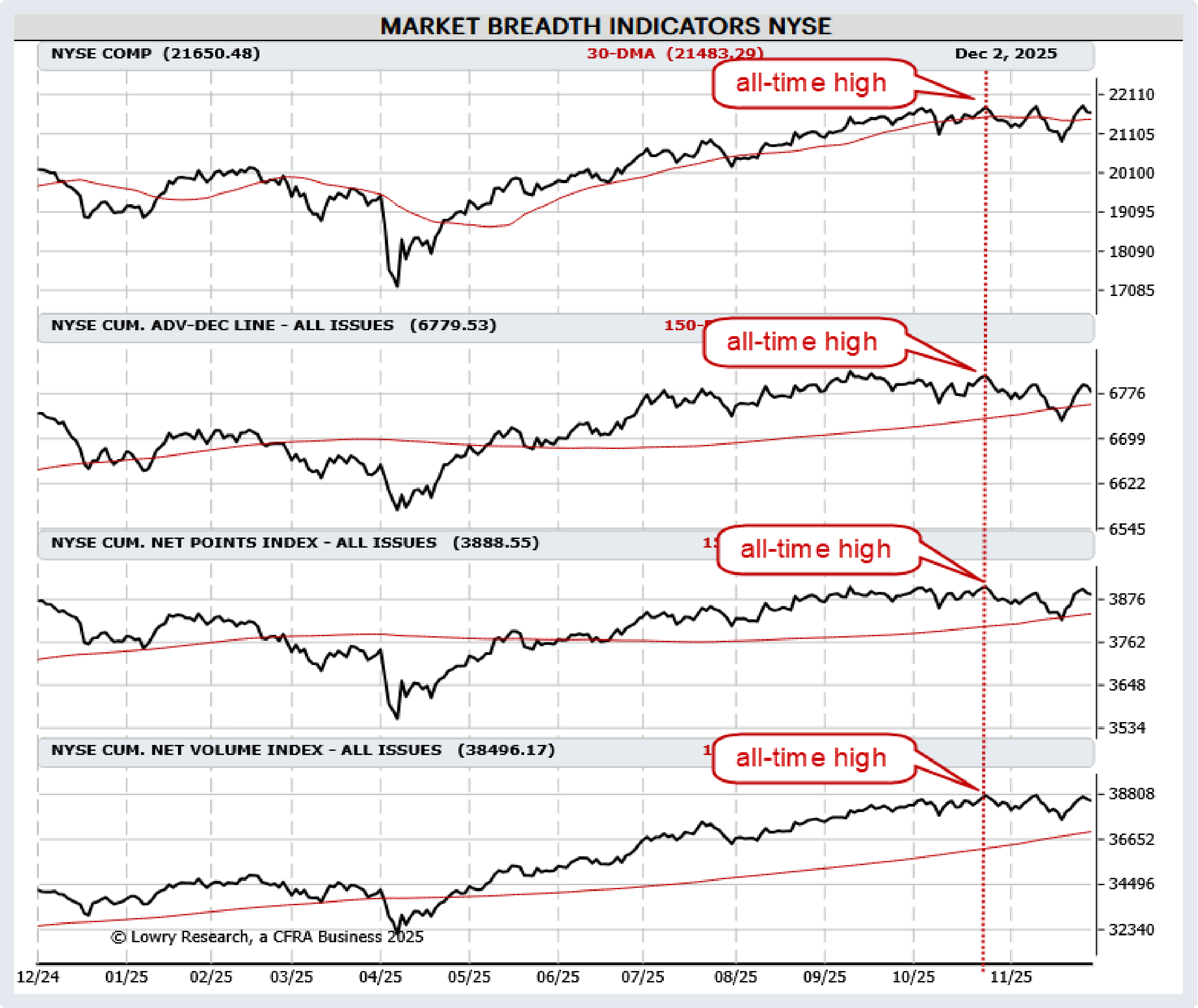
Breadth Leading Price - Again

- The Operating Companies Only Large-, Mid-, and Small-Cap Adv-Dec Lines recorded all-time highs over the past week.
- The Mid- and Small-Cap Lines also bounced off their 150-DMAs
- It is unlikely to begin a major decline under this scenario.



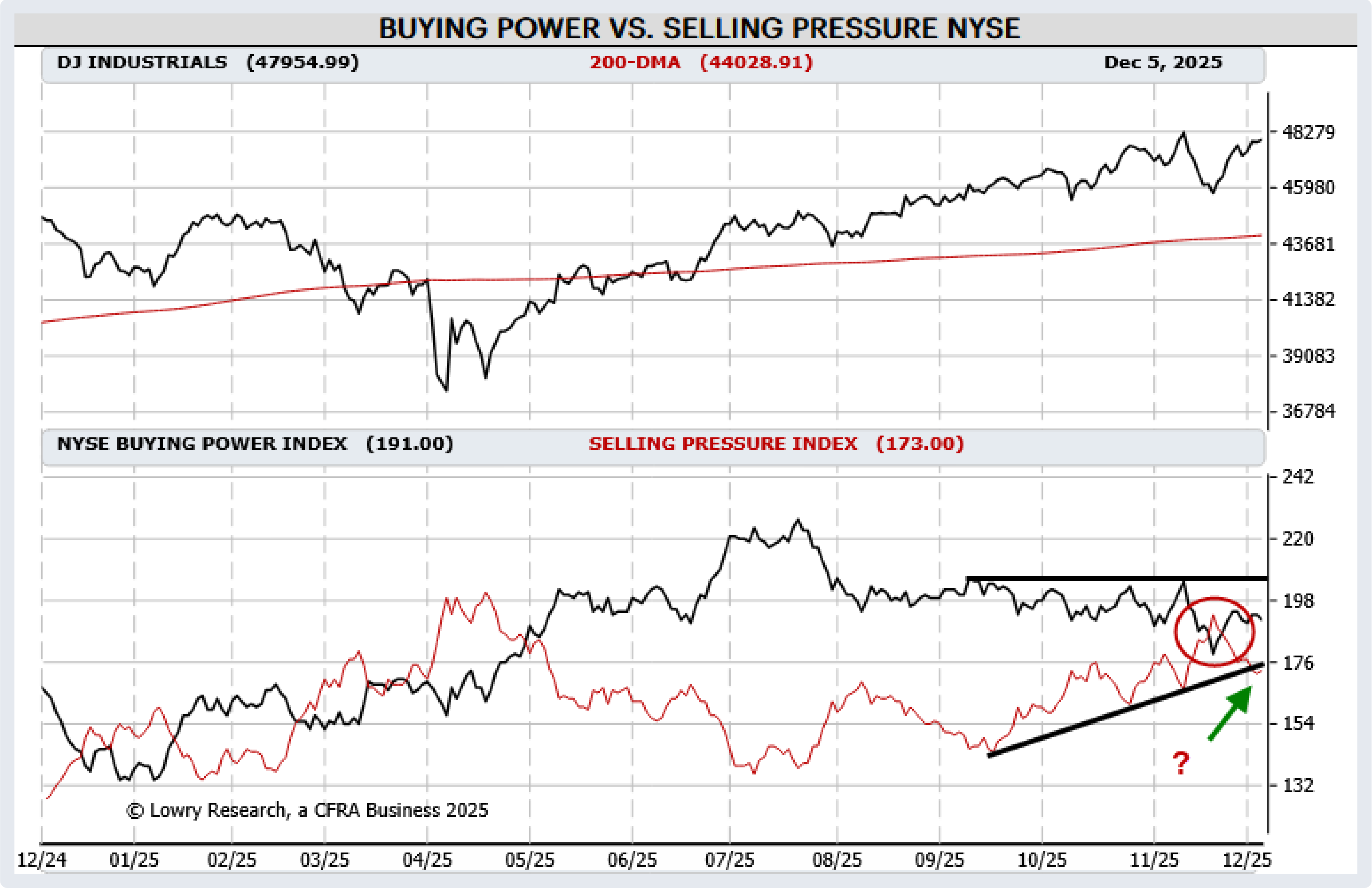
No Divergence Ahead of Previous Market High

- Price and Breadth recorded all-time highs together on October 27.
- This includes Cumulative Net Points and Cumulative Net Volume.
- Once again, it is unlikely to begin a major decline under this scenario.
- Caveat: Price has since made a marginally higher high while the indicators have not.



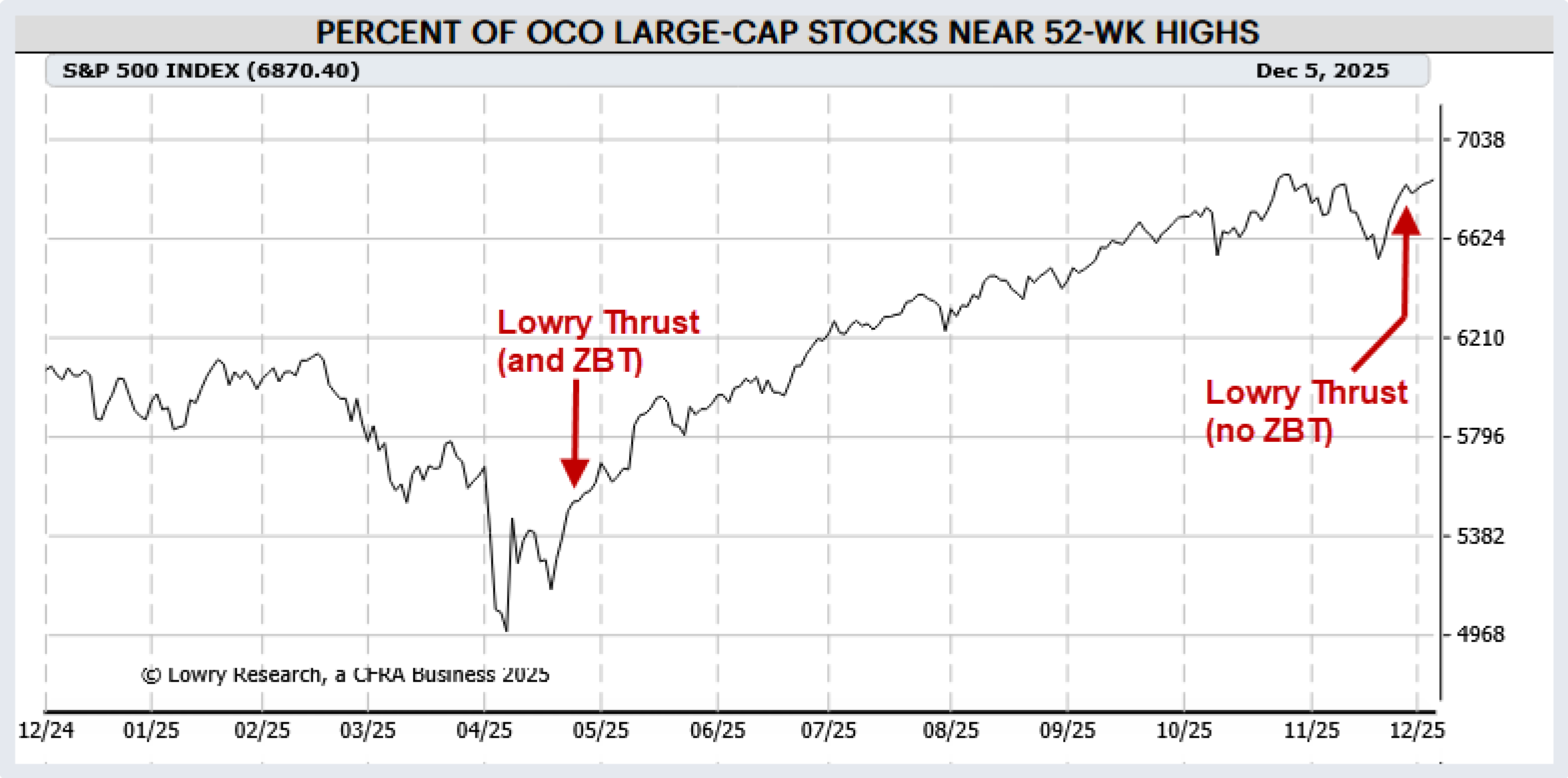
Potential Turn in Demand and Supply Trends

- Stocks rallied despite rising Supply.
- Multiple crosses of Buying Power and Selling Pressure.
- Buying Power is currently dominant but needs to break out.
- Selling Pressure is now challenging its uptrend.



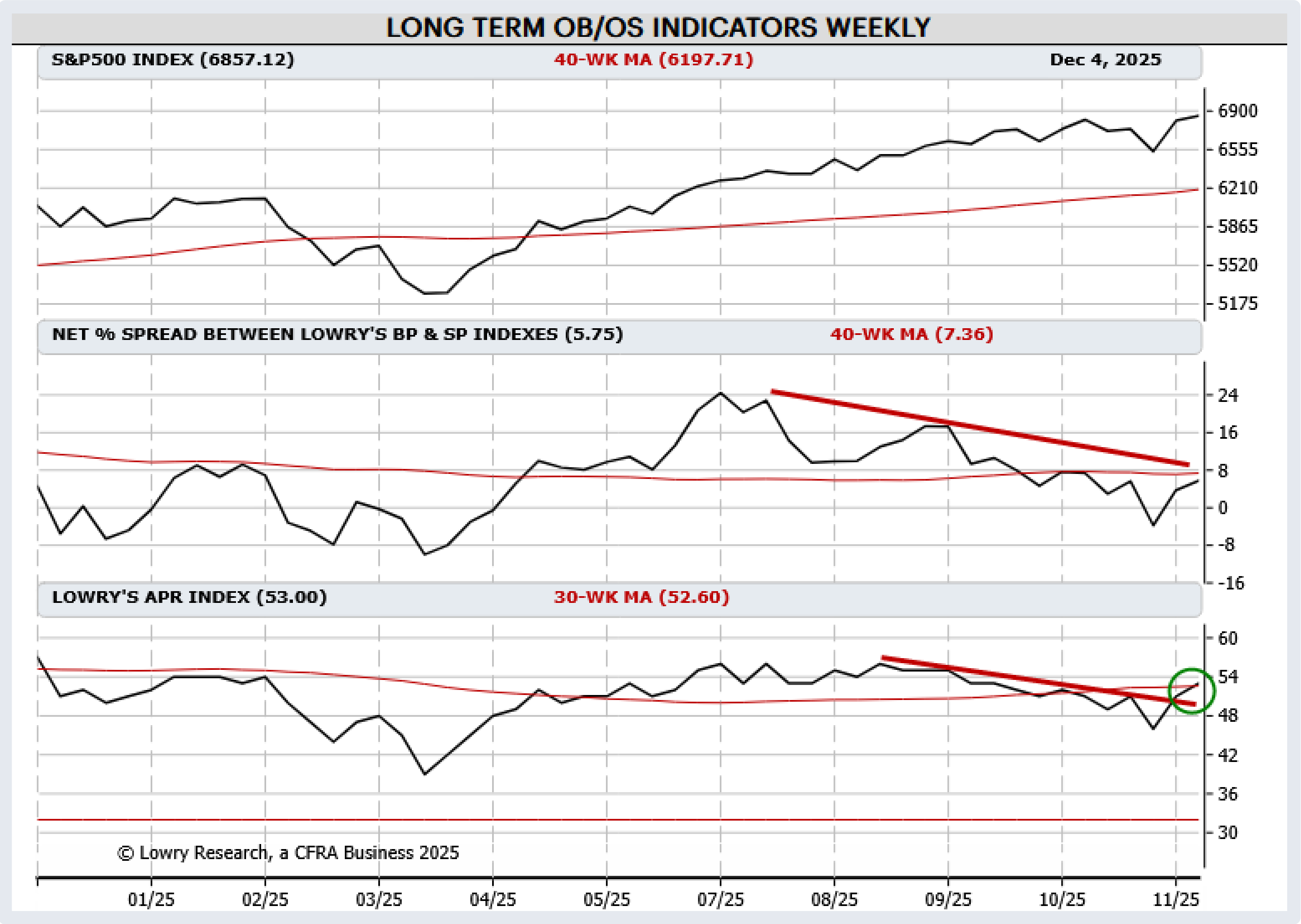
The Lowry Thrust

- The Lowry Thrust signal helps find bottoms and continuations.
- The signal is similar to the Zweig Breadth Thrust, but it is based on Points and Volume
- The same inputs as 90% Upside and Downside Days, are used but over time.



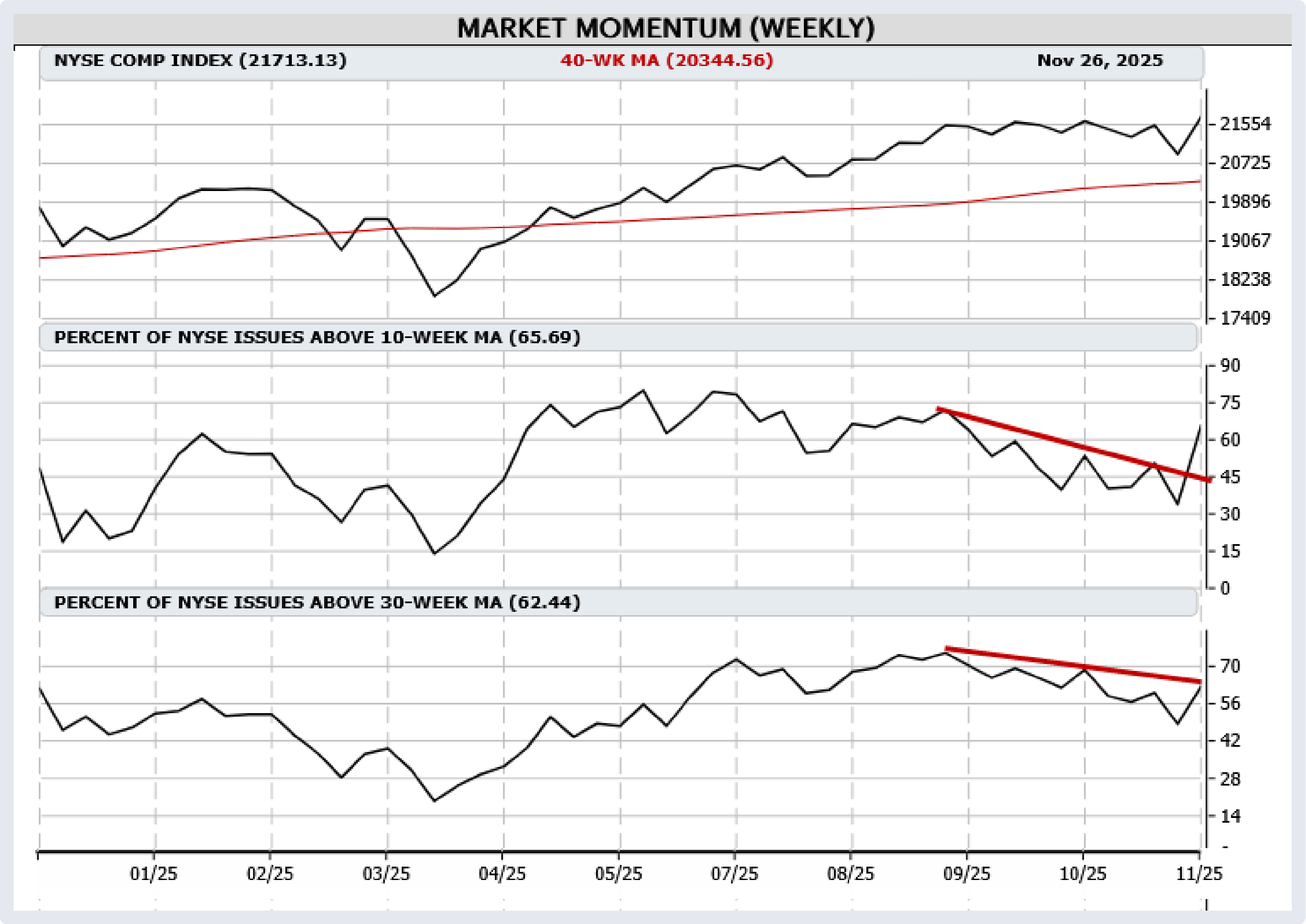
Core Indicators Need Work

- The Net Percent Spread Between Lowry's Buying Power and Selling Pressure remains in a downtrend and below its 40-WMA.
- The Average Power Rating (APR) Index is also in a downtrend but marginally above its 30-WMA.



Longer-Term Momentum is Coming Back

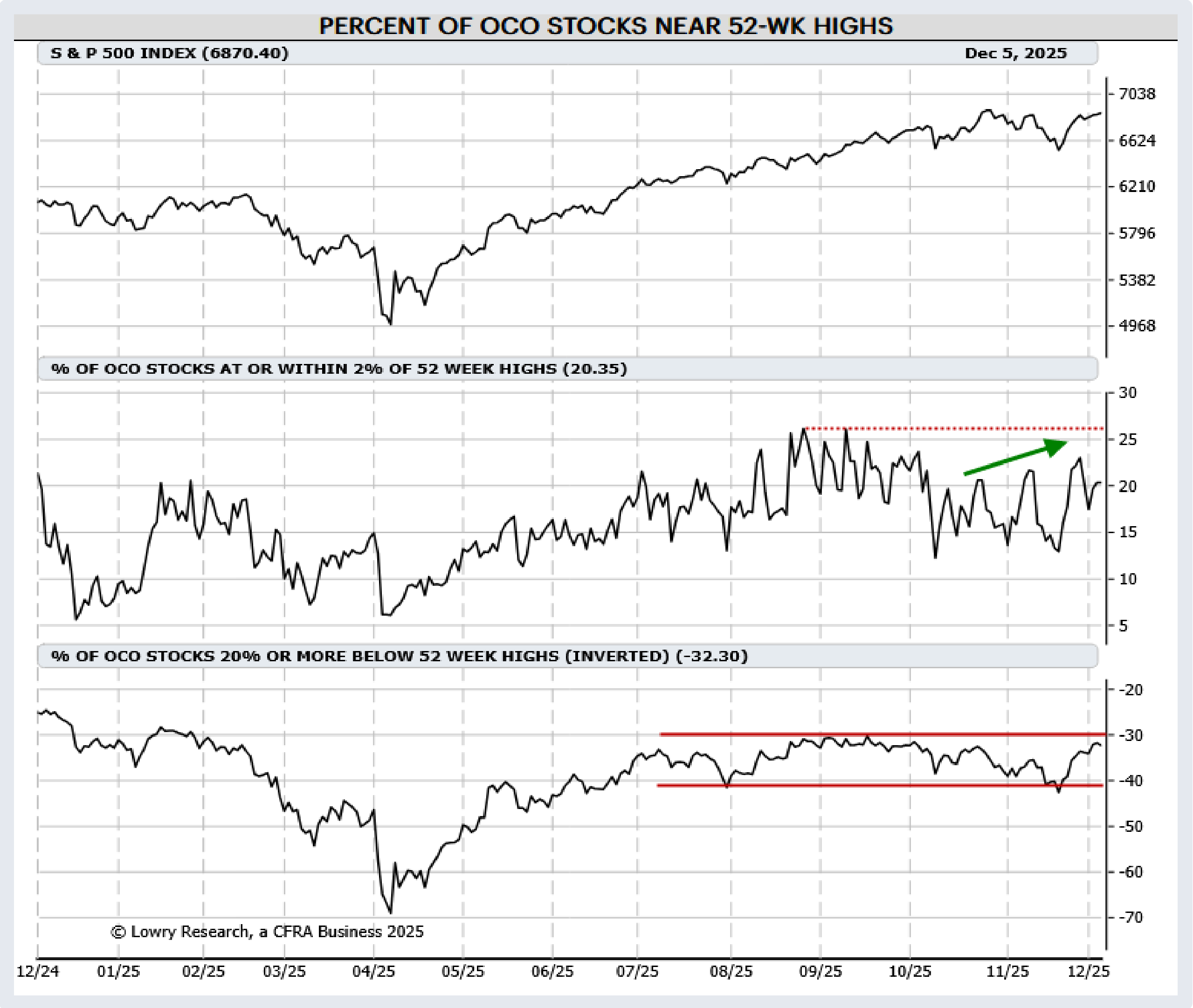
- The Percent of NYSE Issues Above 10-WMAs rallied sharply to break its downtrend.
- The Percent of NYSE Issues Above 30-WMAs is close to a new breakout.
- For the latter, the 75% level is normally associated with healthy bull markets.



Demand Intensity is Somewhat Better

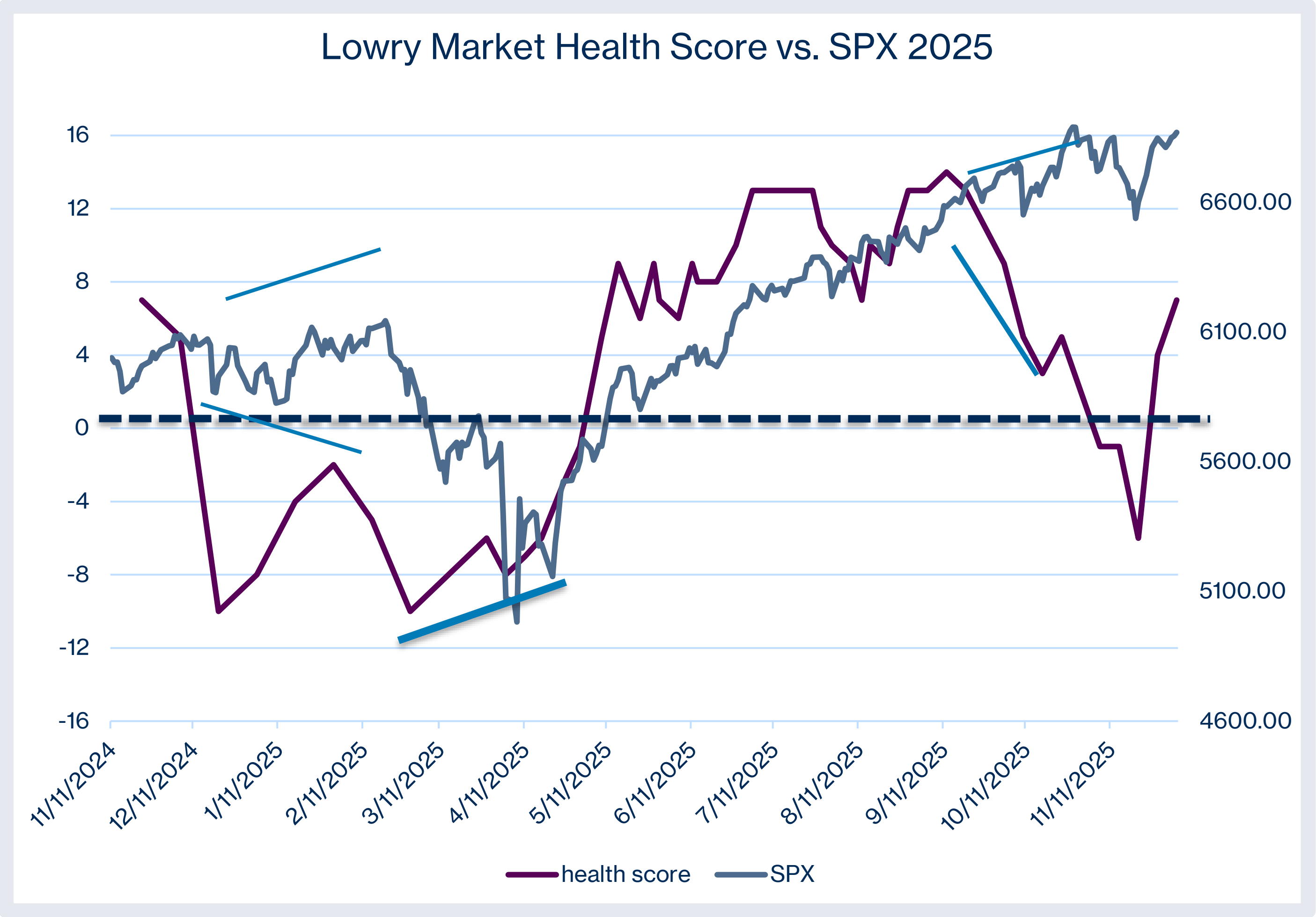
- Demand intensity, measured by the Percent of OCO Stocks within 2% of 52-Week Highs, is in an uptrend but not at previous levels of strength.

- Internal weakness, as measured by “bear market” stocks 20% or More Below 52-Week Highs, is not expanding as it might ahead of a major drawdown.



Big Jump in the Lowry Market Health Score

- Divergence heading into the October high.
- Divergence also marked the April bottom and February top.
- Current reading is +7, as the Score makes a sharp rebound.



Lowry's Key Observations

- Fading core indicators presaged the October-November pullback.
- Yet, a lack of divergences in breadth and long-term momentum were not consistent with a major top.
- The body of evidence began to improve in late November.
- The Lowry Thrust on November 28 reflects returning Demand.
- Short-term overbought conditions naturally follow the Thrust signal.
- The body of evidence supports additional buying activities, but not yet an aggressive approach.

Q&A

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Thank you!

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