

Monthly Market Perspectives

'What You Need to Know'

February 8, 2026

So Goes January, So Goes the Year

"An object in motion tends to stay in motion, and an object at rest tends to stay at rest, unless acted upon by external forces" - Sir Isaac Newton

An effect widely known as the 'January Barometer' looks at how the S&P 500 performs during January and what it may mean for the next 11 months. The late Yale Hirsch first presented the phenomenon in Almanac Trader in 1972 and today it is known by the saying, 'So goes January, so goes the year'.

Historically speaking, when the first month was positive for the S&P 500, the rest of the year was up 12.2% on average and higher 87.0% of the time. And when was that first month lower? The index was up about 2.1% on average for the rest of the year, and higher only 60% of the time. The stats speak for themselves in the chart below, but clearly - the solid start to 2026 should be viewed as a positive for investors.

So Goes January, Goes The Year

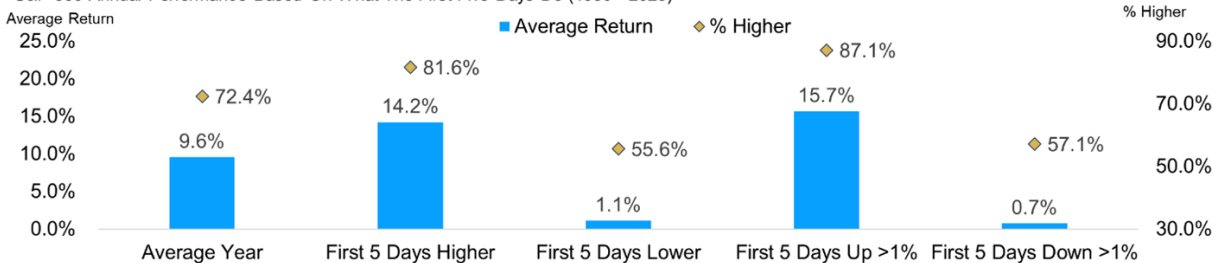
The January Barometer Says A Positive January For Stocks Is A Good Sign

	S&P 500 Index Return Rest Of Year (Final 11 Months)			
	Positive January	>2% January	Negative January	All Years
Average	12.2%	12.3%	2.1%	8.2%
Median	13.4%	13.3%	3.5%	9.9%
% Higher	87.0%	84.8%	60.0%	76.3%
Count	46	33	30	76

If 87% sounds at all familiar, that's because it's how often the full year has been positive when the first five days of the year finished up more than 1% (like we saw this year).

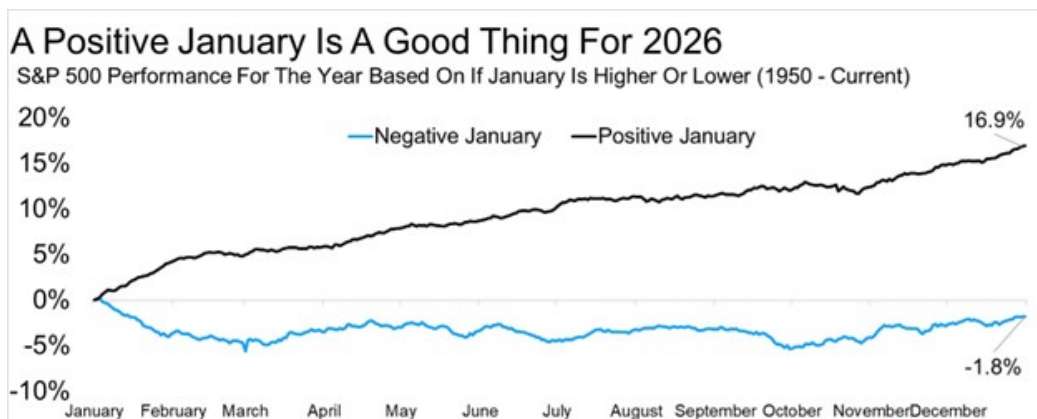
A Higher First Five Days In 2026 Is A Good Sign

S&P 500 Annual Performance Based On What The First Five Days Do (1950 - 2025)



Take another look at that famous Newton quote from above. Markets certainly aren't physics, but it's a nice way to describe markets' tendency to trend based on how they start the year. If January is higher, the S&P 500 has gained an average of 16.9% for the full year, with an overall upward bias most of the year, even after

the first month. Compare that with when January is lower – the full year has struggled and has been down on average. Indeed, what the first month of the year has done has often set the tone or picked the direction for the full year.



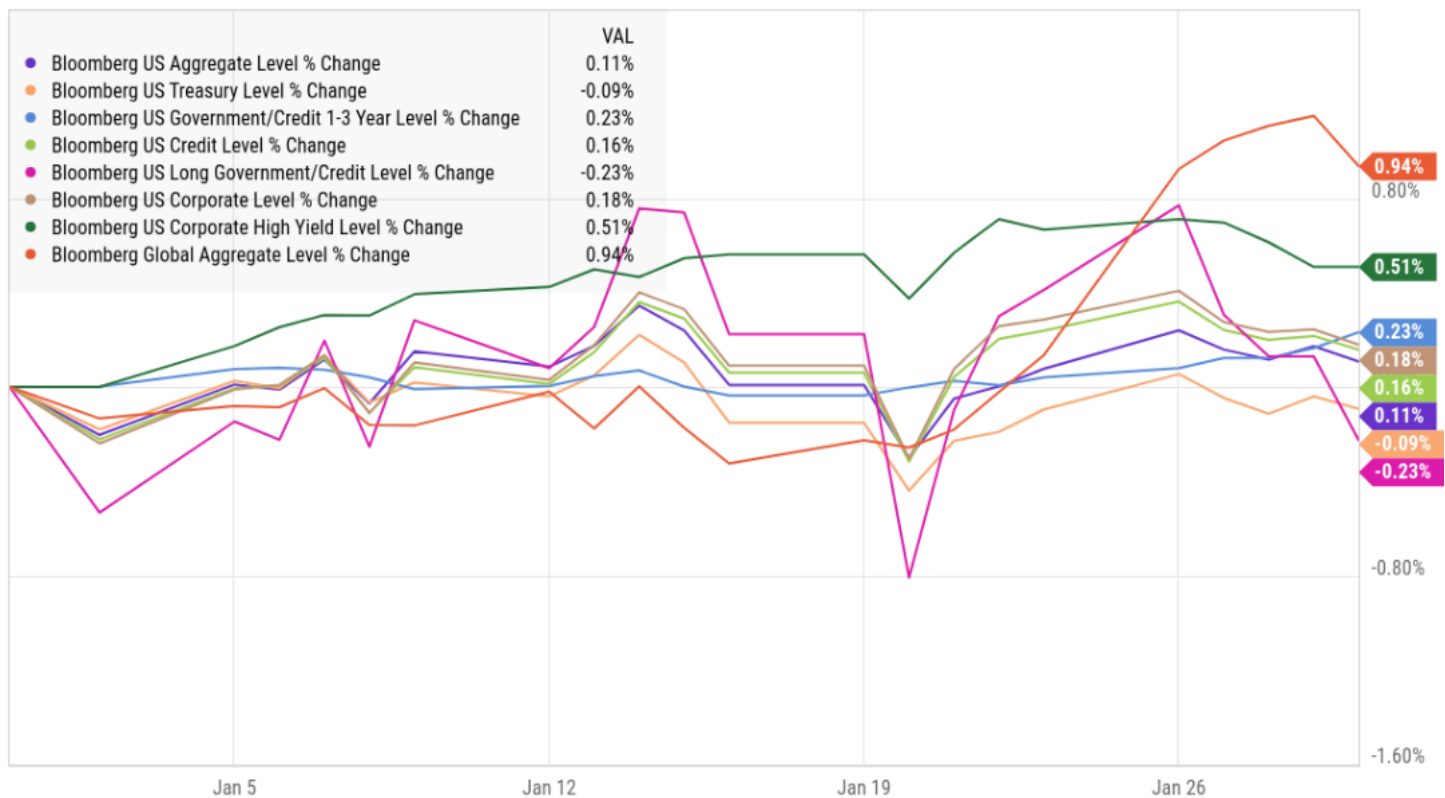
Ultimately, the S&P 500 did finish January in positive territory, but the advance was modest—a hint that may actually be encouraging. Historically, years in which the index posts gains between 0-2% in January are typically followed by continued strength which is perfectly normal.

The Sweet Spot?

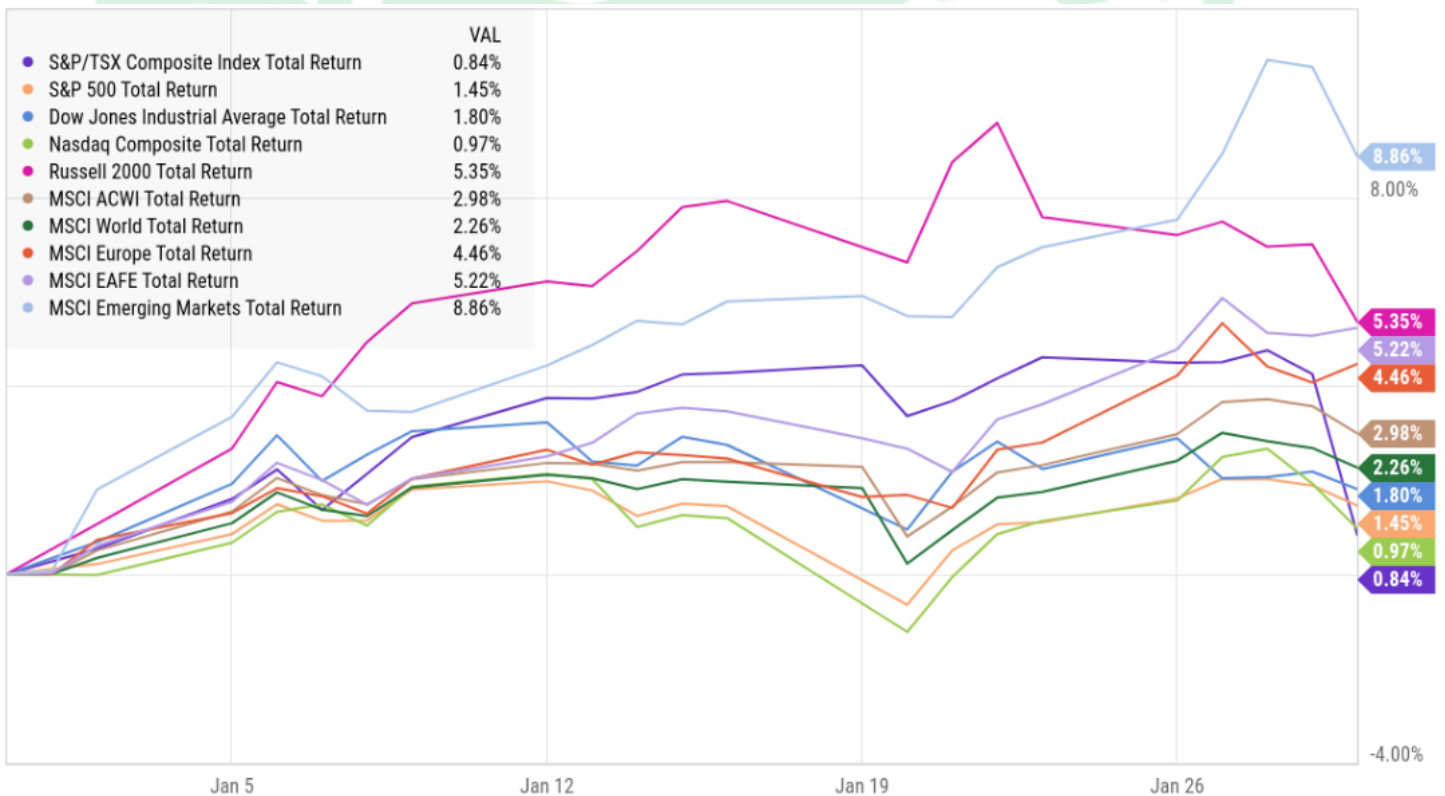
S&P 500 Returns When January Is Up Between 0-2% (1950 - Current)

S&P 500 Returns		
Year	January Return Between 0-2%	Next 11 Months
1950	1.5%	19.8%
1952	1.6%	10.1%
1955	1.8%	24.2%
1959	0.4%	8.1%
1966	0.5%	-13.5%
1972	2.0%	13.6%
1986	0.2%	14.3%
1993	0.7%	6.3%
1998	1.0%	25.4%
2004	1.7%	7.1%
2007	1.4%	2.1%
2017	1.8%	17.3%
2024	1.6%	21.4%
2026	1.4%	?
Average		12.0%
Median		13.6%
Higher		12
Count		13
% Higher		92.3%
Average Year (1950 - 2025)		
Average		8.2%
Median		9.9%
% Higher		76.3%

Fixed Income Indices - January 2026



Equity Indices - January 2026



January Market Review

Fixed Income

- The Canadian fixed income universe ended January with positive returns, recouping about half of December's losses.

Equities

- January saw a continuation of the key market trends observed in 2025, starting with significant geographic dispersion in equity returns. Overseas markets outperformed (EAFE region, Emerging Markets), while the United States lagged amid waning enthusiasm for technology sectors.
- In Canada, the S&P/TSX continued to be pushed upward by Materials, which is composed mainly of gold miners. The Energy sector also helped the Canadian market amid rising oil prices.

FX & Commodities

- Against a backdrop of growing tensions between the United States and Iran, including a very real possibility of military intervention, oil prices rose significantly in January. Gold also continued its upward trend, but with a marked increase in daily volatility. The enthusiasm for gold also spread to other metals, such as silver and copper.
- On the currency front, the U.S. dollar depreciated sharply in January likely due from the unpredictability of U.S. economic and trade policy.

Market Total Returns

Asset Classes	January	12M	2025
Cash (S&P Canada T-bill)	0.2%	2.7%	2.9%
Bonds (ICE Canada Universe)	0.6%	1.9%	2.4%
Short Term	0.4%	3.4%	3.8%
Mid Term	0.6%	3.1%	3.8%
Long Term	0.9%	-1.4%	-1.0%
Federal Government	0.4%	1.1%	2.0%
Corporate	0.9%	4.2%	4.3%
U.S. Treasuries (US\$)	0.0%	5.7%	6.2%
U.S. Corporate (US\$)	0.4%	7.5%	7.8%
U.S. High Yield (US\$)	0.5%	7.5%	8.5%
Canadian Equities (S&P/TSX)	0.8%	28.3%	31.7%
Communication Services	3.7%	12.5%	11.0%
Consumer Discretionary	-5.3%	23.8%	31.0%
Consumer Staples	-3.9%	11.4%	12.8%
Energy	10.6%	31.5%	19.2%
Financials	-1.5%	29.8%	35.3%
Health Care	-4.2%	-1.2%	0.4%
Industrials	0.4%	0.0%	3.1%
Information Technology	-17.6%	-7.9%	23.1%
Materials	8.9%	98.2%	100.6%
Real Estate	1.7%	5.6%	4.2%
Utilities	2.0%	22.5%	19.7%
S&P/TSX Small Caps	8.7%	62.2%	50.2%
U.S. Equities (S&P 500 US\$)	1.5%	16.3%	17.9%
Communication Services	5.8%	29.5%	33.6%
Consumer Discretionary	1.7%	3.3%	6.0%
Consumer Staples	7.7%	9.7%	3.9%
Energy	14.4%	21.8%	8.7%
Financials	-2.4%	5.3%	15.0%
Health Care	0.0%	7.3%	14.6%
Industrials	6.7%	21.3%	19.4%
Information Technology	-1.7%	25.6%	24.0%
Materials	8.7%	13.8%	10.5%
Real Estate	2.8%	4.2%	3.2%
Utilities	1.4%	14.3%	16.0%
Russell 2000 (US\$)	5.4%	15.8%	12.8%
World Equities (MSCI ACWI US\$)	3.0%	22.4%	22.9%
MSCI EAFE (US\$)	5.2%	31.8%	31.9%
MSCI Emerging Markets (US\$)	8.9%	43.7%	34.4%
Commodities (GSCI US\$)	9.8%	13.9%	7.1%
WTI Oil (US\$/barrel)	12.6%	-11.4%	-21.0%
Gold (US\$/oz)	16.3%	79.0%	64.7%
Copper (US\$/tonne)	4.9%	46.4%	43.9%
Forex (US\$ Index DXY)	-1.4%	-10.5%	-9.4%
USD per EUR	1.3%	14.4%	13.4%
CAD per USD	-0.8%	-6.3%	-4.6%

CIO Office (data via Refinitiv, as of 2026-01-30)

Themes Investors are Watching Closely

Despite being only five weeks into the new year, the abundance of news flow has really masked the things that truly matter. Today, financial markets are being driven less by the earnings details and more by a concentrated set of macro and structural themes that are shaping investor behavior and asset pricing. While headlines can feel fast-moving and emotionally charged, it is worth reinforcing a core principle: **investing is not gambling**. Successful outcomes are built on discipline, diversification, and long-term planning—not on reacting to the news cycle. Here are some of the topics that are on my mind that I believe have played an impact on financial markets and asset prices to kick off the year.

A Potential Shift at the Federal Reserve

Markets are increasingly focused on the possibility of Kevin Warsh being appointed as the next Chair of the Federal Reserve, succeeding Jerome Powell. Leadership changes at the Fed rarely lead to abrupt policy pivots, but expectations matter. A Warsh-led Fed is often associated with a more rules-based and potentially more hawkish framework, with heightened attention to financial excesses. Investors are already pricing in these possibilities through movements in interest rates, equity valuations, and the U.S. dollar—illustrating how markets respond to probabilities, not bets.

Geopolitical Risk is Back in Focus

The year opened with a U.S. military operation in Venezuela that resulted in the capture of President Nicolás Maduro and rapid leadership changes in Caracas—an event that drew immediate global attention and added uncertainty across commodity and risk markets.

Shortly thereafter, focus shifted to the Arctic, where renewed discussion from U.S. leadership around securing control of Greenland—including proposals ranging from diplomatic arrangements to more assertive actions—sparked international pushback and raised questions about alliance stability and global security commitments.

Now, markets are contending with heightened tensions involving Iran, with analysts cautioning that any escalation could reverberate through energy markets and broader risk sentiment.

Geopolitical events can create short-term volatility, particularly in energy markets and risk assets, but they are inherently unpredictable. These rapid developments reinforce an important reminder: portfolio resilience comes from preparation and diversification, not speculation on specific outcomes. Reacting impulsively to headlines can undermine long-term objectives—once again underscoring that investing is not gambling.

AI, Software, and the Next Phase of Growth

A year ago, the AI narrative was jolted by DeepSeek, whose low-cost model briefly shook the entire asset class. Markets reacted sharply to the idea that advanced AI capabilities could be developed with far less capital than previously assumed, raising questions about valuations and the sustainability of massive investment plans. The incident was a wild reminder of how quickly sentiment can swing on perceived disruption.

Today, the conversation has evolved. Attention has shifted toward companies like Anthropic and, more importantly, toward the scale of capital expenditures required to support next-generation AI. Investors are now focused less on novelty and more on whether unprecedented spending on data centers, chips, and compute infrastructure will ultimately translate into durable earnings growth.

As this transition unfolds, markets are becoming more selective—rewarding execution and capital discipline rather than hype. AI may prove transformational, but long-term investing remains grounded in economics and fundamentals, not chasing the latest narrative.

Bitcoin & Crypto Reality Check

Bitcoin's recent pullback is a useful reminder that persuasive narratives do not necessarily produce dependable investment outcomes. The decline has been notable—breaking below key psychological thresholds around \$60K-\$65K, unwinding much of its post-election advance, and falling more than 25% year-to-date amid a broader risk-asset selloff. This represents one of its sharpest drawdowns in several years and underscores deteriorating investor sentiment alongside the reversal of leveraged positioning.

Despite frequent comparisons to gold, Bitcoin has behaved far more like a high-beta, liquidity-sensitive asset—rising during periods of optimism and falling sharply when conditions tighten. For disciplined investors, this reinforces an important reminder: chasing price action is closer to gambling than investing, particularly when assets fail to deliver on their stated role within a portfolio.

The Return of Fundamentals and Selectivity

One of the most important shifts underway in markets is also one of the least discussed: the renewed emphasis on fundamentals and selectivity. I dive into this a little deeper on the next page but after years in which abundant liquidity lifted nearly all assets, investors are once again differentiating between companies based on balance sheet strength, cash-flow durability, and capital discipline. This shift is evident across equities, credit, and private markets, where higher financing costs are exposing weaker business models and rewarding firms that can grow profitably without constant access to cheap capital. In this environment, returns are less likely to be driven by broad market momentum and more by thoughtful security selection and portfolio construction—reinforcing that investing is a process rooted in fundamentals, not speculative bets on headlines. This is an environment where active portfolio management matters and together, we can thrive.

Chart of the Month - Unpacking the Market Rotation

The past 3+ months look very different from the period that preceded them. Performance leadership has shifted away from growth and mega-cap stocks that dominated earlier in 2025 and toward value, cyclicals, and a broader set of sectors and market capitalizations. What was once a narrow, tech-led advance has given way to more balanced participation, with strength emerging across energy, materials, consumer staples, and small caps, even as headline index returns have stalled.

Sector	12/31/2024 to 10/31/2025	10/31/2025 to 2/5/2026
Energy	5.83%	20.42%
Materials	3.80%	17.73%
Consumer staples	1.40%	15.41%
Industrials	18.81%	8.99%
Communication services	26.82%	8.18%
Health care	6.29%	7.92%
Real estate	3.40%	2.34%
Financials	9.51%	2.07%
S&P 500	17.50%	-0.31%
Utilities	20.17%	-2.43%
Consumer discretionary	7.80%	-3.88%
Information technology	29.93%	-11.04%
"Magnificent 7"	25.43%	-4.96%
Russell 1000 Value	12.13%	8.52%
Russell 1000 Growth	21.49%	-7.99%
Difference	-9.36%	16.51%
S&P Small Cap 600	3.31%	9.72%
S&P 500	17.50%	-0.31%
Difference	-14.19%	10.03%

New Leadership, More Breadth

Breadth has also expanded materially. According to Ned Davis Research, 67% of S&P 500 constituents have outperformed the index over the three-month period ending February 4, 2026, compared with just 31% in 2025 and 30% in both 2024 and 2023, underscoring how leadership has shifted from a narrow group of winners to much broader participation across the market.

This change in leadership highlights a market that is rotating rather than weakening, with capital moving toward diversification, cash-flow durability, and areas that had previously lagged.

February Is the Banana Peel Month

While we kicked off this edition of monthly market perspectives with lots of optimism, I would be remised and not forthcoming if I didn't address that February can be kind of a banana peel month. While short in length, the month has potential to be volatile.

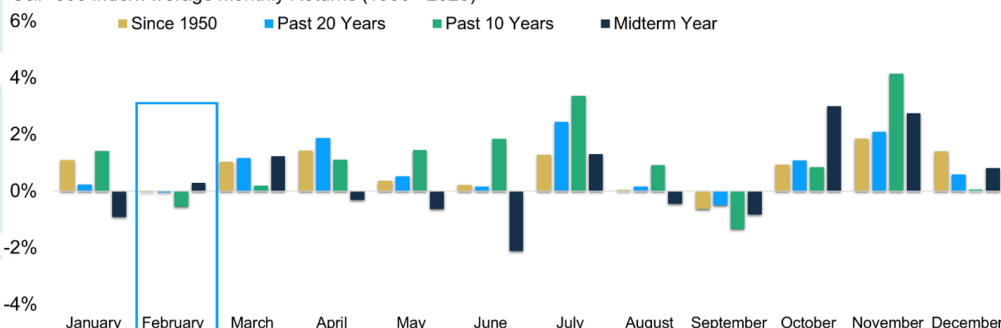
It's difficult to sugar coat it, so I won't - but investors clearly have not been sending or receiving any love from this 'romantic' month and the numbers don't lie. February has been lower three of the past four years, four of the past six years, and five of the past eight years. So, not a great batting average you might say, with Spring training on the horizon, as we've definitely seen some weakness in February as of late. Unfortunately, it doesn't end there. February is one of two months (along with September) that have had a negative average return the past 10 years, 20 years, and since 1950.

"History isn't gospel, but a guide" - Sam Stovall

Great quote, another way to put it – we don't have to have weakness this month, but it wouldn't be abnormal.

Historically, February Has Been Weak

S&P 500 Index Average Monthly Returns (1950 - 2025)



The Bottom Line

Overall, there are many things to watch, and the possibility of a banana peel in February is certainly one of them.

Big picture, I remain pretty optimistic. No, I don't suggest blindly investing only on how January does, but I do think there is some merit around that January barometer. Factor that in with the rotation and change of leadership over the past 3+ months that is expanding breadth, and I would certainly chalk this up to yet another clue that this bull market is alive and well.

Thanks for reading.

Warmly,

Aaron Pedlar, HBA, CHS, PFA