



The Corner



December
2025

Closing Out The Year Strong Sets Up a Reset in 2026

Executive Summary

As we wrap up 2025, we see a continuation of our high-conviction view: we are still in a global secular bull market, even as the coming year looks to be more of a reset than a runaway rally. After a 100% gain off the 2022 lows and a powerful earnings cycle through 2025, we expect valuations to consolidate and volatility to rise. Our outlook is for the S&P 500 to trend toward 7500 in 2026, consistent with the historical pattern of mid-term election years and the decennial cycle. Beneath the surface, we believe the long-term runway is intact, with the secular trend pointing to 10,000-13,000 for the S&P 500 by the end of the decade.

December has all but reinforced our view that the year ahead will be defined by three key market forces: a reset in Technology and Growth leadership, the acceleration of global equity markets within their own secular bull trend, and the ongoing impact of innovation-driven productivity gains. Technology and Tech-related industries – especially Semiconductors – remain the dominant engines fueling corporate profitability, but returns have been extraordinary and will likely consolidate before the next higher level. At the same time, non-U.S. equities have broken out to new secular highs, offering more attractive valuations and emerging opportunities for diversified portfolios.

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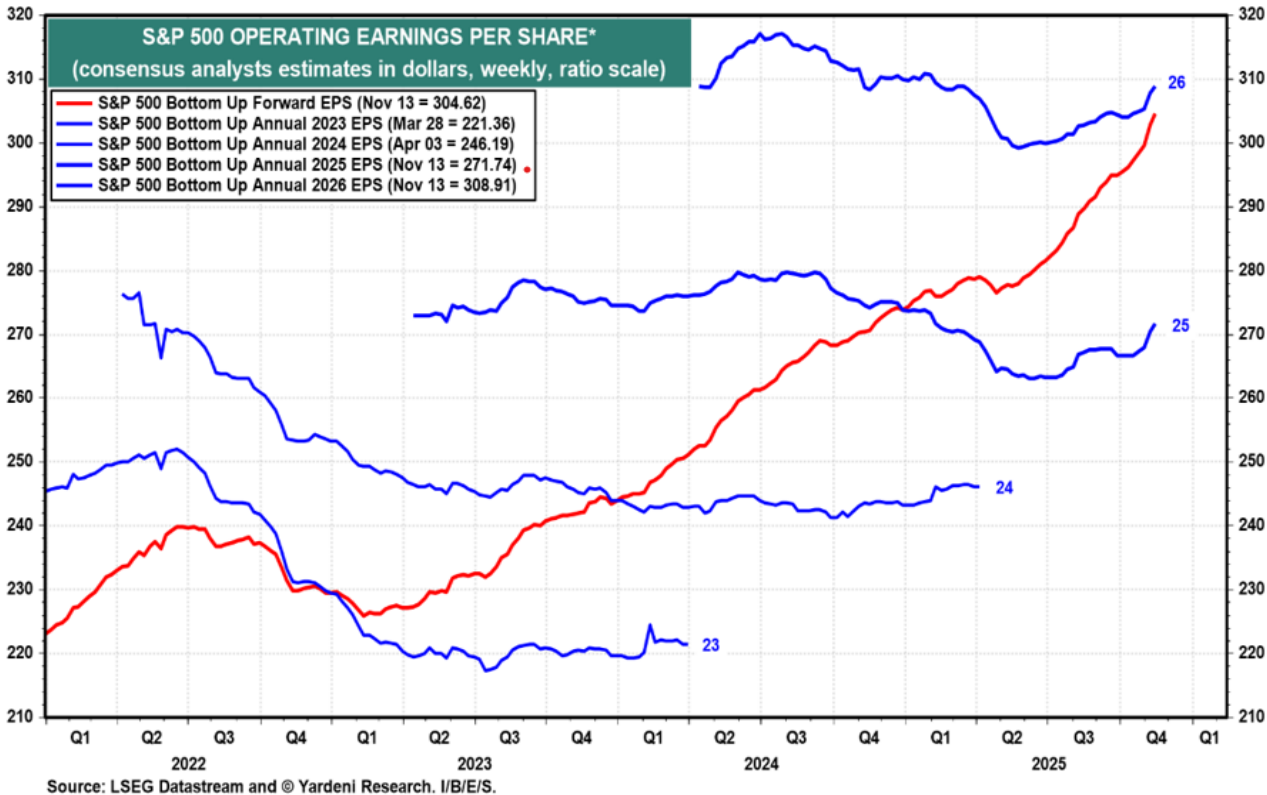
We also expect crosscurrents from interest rates and currencies. Seasonal pressures may push yields somewhat higher in early 2026 before the broader downtrend resumes. Meanwhile the U.S. dollar may strengthen, adding volatility to equity markets and dragging down multinational earnings. Still, the macro backdrop remains positive: money supply growth is improving, corporate balance sheets are strong, and productivity gains across AI, Robotics, and data-center infrastructure are beginning to build the foundation for another phase in economic expansion.

In this month’s report, we outline why 2026 is shaping up to be a year of consolidation with an upward bias, what a reset in leadership means for portfolios, and why staying invested – while gradually increasing international exposure – remains the most prudent strategy for the year ahead, in our view.

2026 Earnings Will Be Hard To Beat

This year we saw the earnings growth rate for the S&P 500 explode as earnings exceeded analyst projections by 7% in 3Q25 alone. Earnings came in at 15% for the quarter year-to-year. We expect earnings to continue to expand, but they may slow down in 2026. We are also expecting a strong U.S. Dollar and, if that happens, it could have a negative impact on earnings and earnings expectations. So, we believe 2026 could also be a reset for earnings.

S&P 500 Operating Earnings Per Share: Analyst Earnings Have Finally Caught Up



The Risk Is One Or Two Quarters Where Earnings Growth Rates Slow

Exhibit 2: S&P 500 qtrly EPS forecasts

Bottom-up consensus vs. our estimates

	Btm-up analysts	YoY	BofA Strategy	YoY
2024	\$243	10%	\$243	10%
1Q25	63.68	13%	63.68	13%
2Q25	67.03	11%	67.03	11%
3Q25E	70.67	13%	70.00	11%
4Q25E	70.19	7%	70.50	7%
2025E	\$270	11%	\$271	12%
1Q26E	70.88	11%	69.00	8%
2Q26E	75.20	12%	73.25	9%
3Q26E	79.46	12%	76.75	10%
4Q26E	81.52	16%	79.00	12%
2026E	\$306	13%	\$298	10%

Source: FactSet, BofA US Equity & Quant Strategy

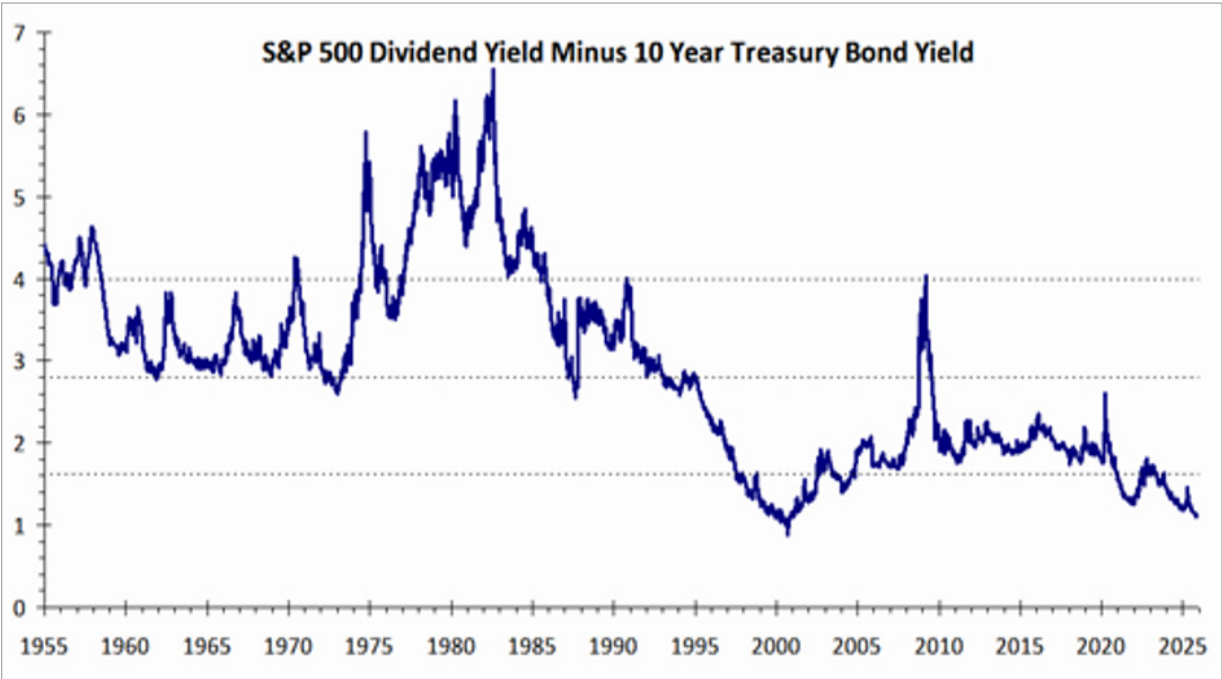
*Note: FactSet's 13% growth rate for 3Q uses Meta's GAAP EPS. Using pro-forma, we estimate 15% growth.

BofA GLOBAL RESEARCH

Source: Bank of America, November 10, 2025

Dividends Are Lowest Since The Early 2000s

As stock prices have risen, dividend yields have come down sharply. As we close out the year, we see that the spread between the S&P 500 dividend yield and the 10-year Treasury yield is the narrowest it's been since 2004 – and it was actually lower during 2000. This is another indicator that stocks have gotten expensive.



Source: Bloomberg and Sanctuary Wealth, November 2025

Why Investors Should Be Fearless Entering 2026

When it comes to setting their investment goals in 2026, we encourage investors to be *fearless* – and importantly – they should think about building a more diversified portfolio – one that incorporates a more global portfolio. Over the course of 2025, non-U.S. equities have significantly outpaced the U.S. market, and we believe this marks the beginning of a new secular bull market in non-U.S. equities.

We don't expect non-U.S. equities to beat the U.S. every year going forward, but we do believe that the upward bias returns for non-U.S. markets could last for the next 10 to 15 years. Outside the U.S., valuations are much cheaper – but Technology exposure is relatively low. So, adding some valuation diversification would be a sound move, in our view, especially as we do not believe valuations will significantly contract in the U.S. In fact, it is possible that valuations will stay high and get only higher, particularly in the Technology and Tech-related stocks. Why? This is where we see earnings power and margin expansion coming from – and the set of global technology stocks remains scarce. Most public technology companies are in the U.S., so the investment universe is quite limited. Scarcity for an investment that is in high demand increases prices. It is our belief that Technology and Tech-related companies will remain market leaders, with AI driving an investment cycle. Earlier in 2025, McKinsey estimated a total investment of \$7.0 trillion by 2030 in the overall buildout of data centers, “a staggering amount by any measure.” We believe the equity market and Technology company valuations will remain elevated and could also continue to expand.

We also believe that non-U.S. equity markets are the emerging new leadership that should take over in the next decade. So, gradually adding non-U.S. exposure to investment portfolios is a prudent move, in our view. We do believe the U.S. will maintain strong equity leadership, particularly in Technology, in the meantime.

Also supporting U.S. equities will be a stable to stronger U.S. dollar in 2026, which will help to maintain capital in the U.S. and attract new capital as well.

McKinsey
& Company

The cost of compute: A \$7 trillion race to scale data centers

Source: McKinsey & Co., April 28, 2025

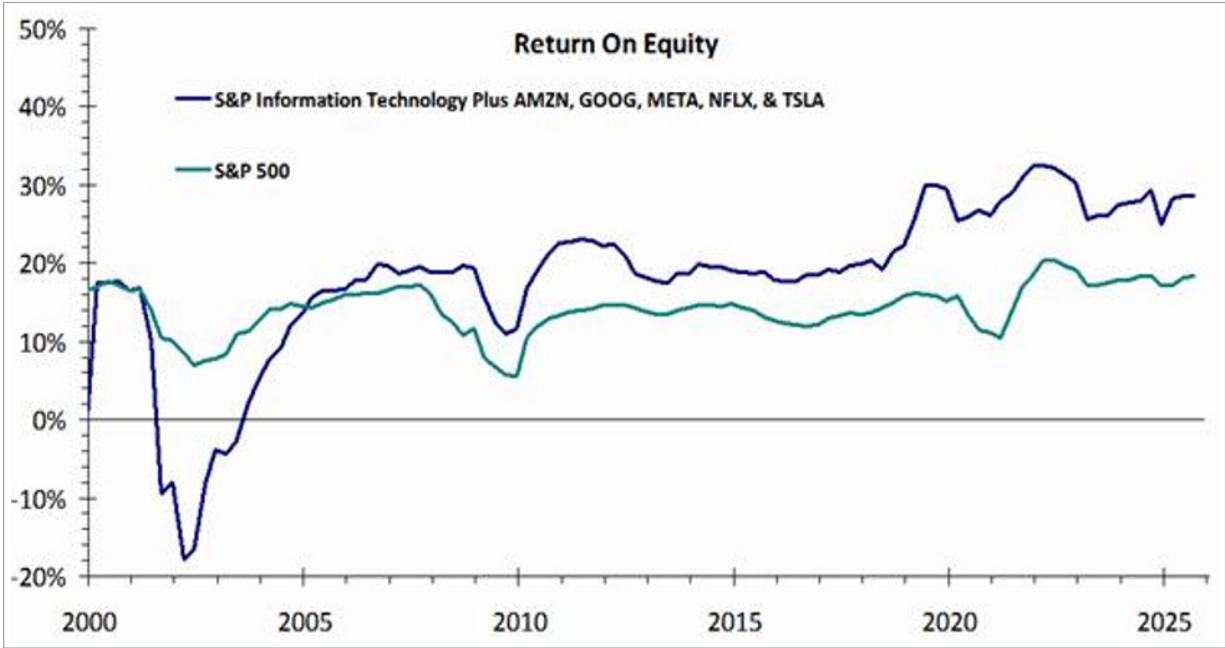
Technology Innovations, Productivity, And Corporate Earnings

Just as productivity in the U.S. has been increased by previous technological advances, we believe AI and Robotics should dramatically increase productivity in the near-term. In fact, productivity is already increasing, at double the annual pace we had been seeing. Higher productivity translates into higher corporate profits. Higher corporate profits translate into higher stock prices.

Productivity is measured by real gross domestic product (GDP) divided by hours worked. Real GDP is up 13% since the end of January 2020 when Covid was declared a public health emergency. Hours worked are down about 2% since 2019 before Covid hit. That means productivity has risen nearly 11% over that time, which helps explain why we are seeing such a strong corporate profit cycle with earnings growing 15% from 3Q 2024 to 3Q 2025, according to Bank of America. We believe we have not yet fully realized the new technological innovations that are just entering the economy. Productivity from AI, Robotics and other new innovations can drive economic growth higher over the coming years, in our view. If the U.S. grows the way it did in the late 1990s, we should see GDP numbers in the 4% range over time.

Technology Companies Have The Highest Return On Equity Within The Market

Technology Producing 30% ROE Compared To S&P 500's 20% ROE



Source: Bloomberg, Sanctuary Wealth, November 2025

Technology Still The Earnings Driver Of The Market

Exhibit 3: Net income growth of current S&P 500 constituents is tracking 15% in 3Q
S&P 500 consensus expectations based on current constituents & diluted shares (using actuals if reported, consensus if not yet reported)

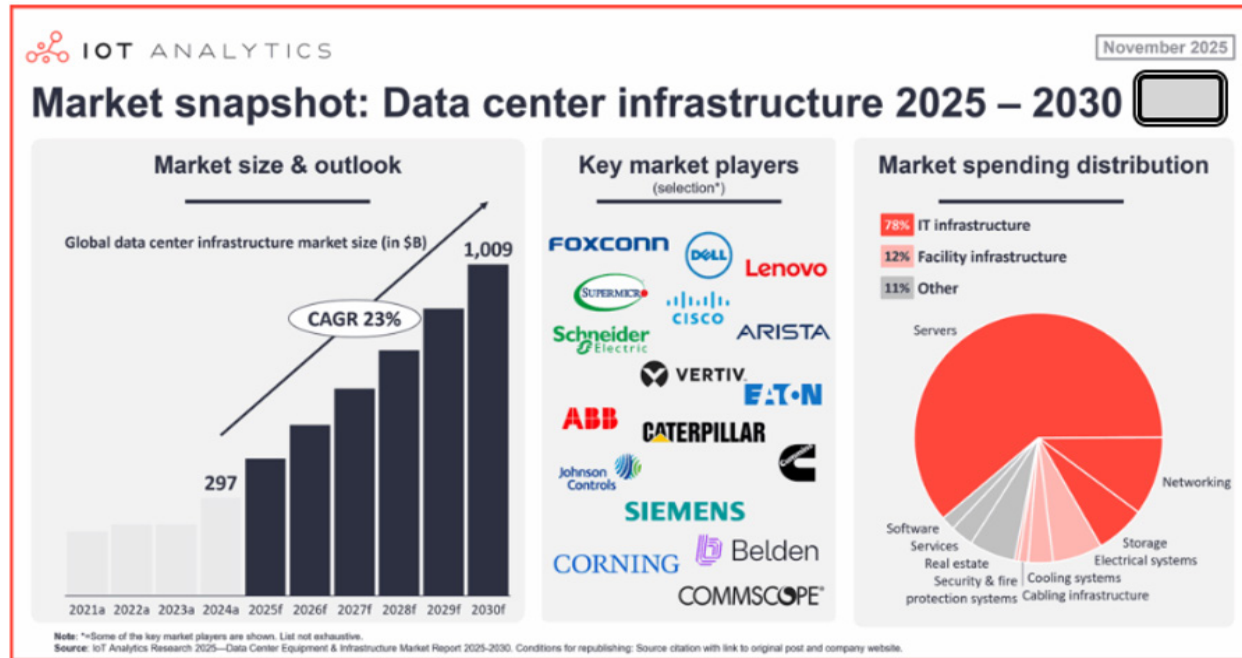
Sector	Earnings		Sales	
	YoY%	QoQ%	YoY%	QoQ%
Consumer Disc.	7.4%	13.9%	7.2%	4.6%
Consumer Staples	(0.2%)	4.1%	4.6%	7.0%
Energy	(0.9%)	10.8%	1.0%	5.0%
Financials	23.7%	8.1%	9.4%	4.6%
Health Care	4.4%	0.8%	10.3%	3.6%
Industrials	15.1%	1.6%	6.5%	1.3%
Technology	26.5%	13.2%	15.4%	4.9%
Materials	17.7%	(4.9%)	3.1%	(3.7%)
Real Estate	5.1%	0.5%	7.4%	2.4%
Communication Services	14.8%	4.2%	8.8%	3.5%
Utilities	5.0%	53.9%	6.9%	14.7%
S&P 500	14.7%	8.4%	8.2%	4.4%
ex. Financials	12.7%	8.4%	8.0%	4.3%
ex. Energy	15.4%	8.3%	8.8%	4.3%
ex. Fins & Energy	13.5%	8.3%	8.7%	4.3%

Source: FactSet, BofA US Equity & US Quant Strategy

BofA GLOBAL RESEARCH

Source: Bank of America, November 10, 2025

Data Centers Are The New Innovation Driving Infrastructure Spend & The Players



Source: IOT Analytics, November 2025

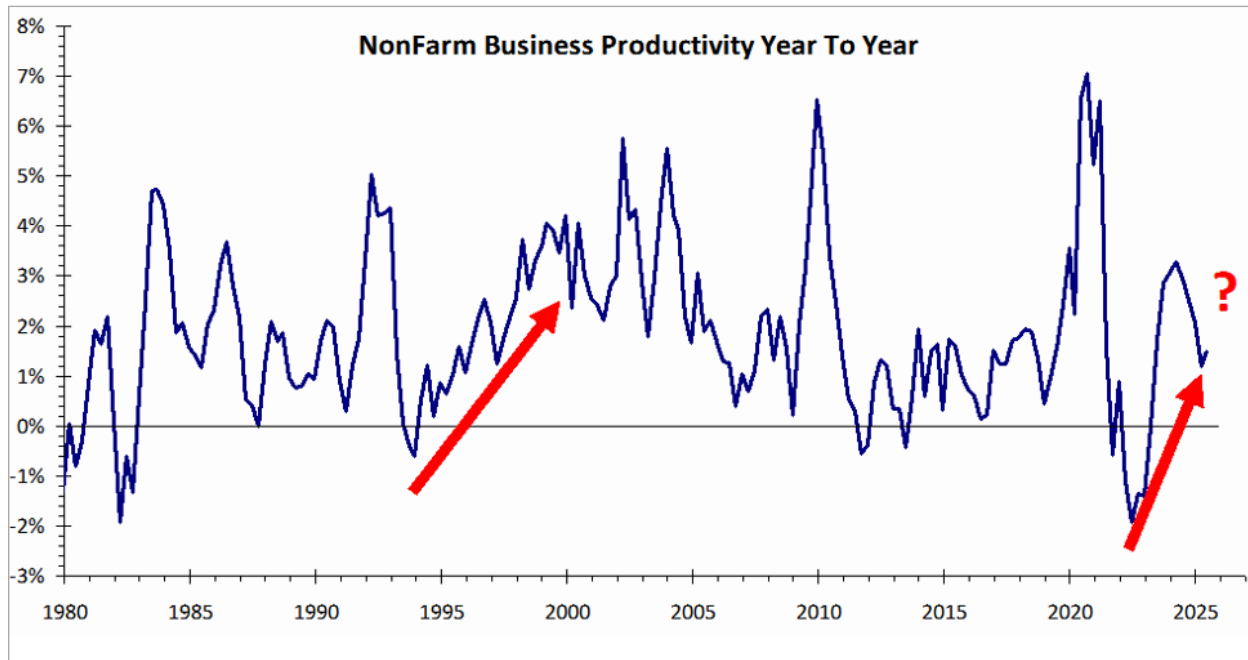
Where Is Productivity Going, And What Does That Mean For Profits?

Another way to analyze productivity is by its year-to-year change instead of its quarter-to-quarter annualized change. At the end of 2Q 2025, the year-to-year change was 1.5%. We believe that rate should rise as AI and Robotics are integrated into the economy.

Looking back to the 1990s, Alan Greenspan, then Chairman of the Federal Reserve, was just beginning to understand the change to the economy. In testimony before Congress in February 1995, Greenspan first mentioned that new technologies – like computers and mobile phones – were influencing prices in ways the official indexes weren't capturing. He argued that productivity gains were being underestimated because output from emerging industries wasn't fully reflected in GDP. We suspect something similar is happening again today: many recent productivity improvements still aren't showing up in the official data. It will take time to understand and capture the efficiencies of AI, Robotics, Blockchain and Web 3.0.

But, as noted above, we are already seeing productivity gains, and as productivity expands, we expect profits and returns on capital to increase as well.

Nonfarm Business Productivity May Be Rising As It Did In The 1990s



Source: Bureau of Labor Statistics, Sanctuary Wealth, November 2025

Technology and Tech-Related Still Lead the Markets But....

We believe the long-term leadership within the equity market will remain Technology and Tech-related with Semiconductors the main driver of the trend. This will keep the Growth area of the market the leading factor versus Value. But as we close out 2025, Technology and Growth appear to be extended, so we expect to see corrections and consolidation in these areas.

But facing periods of episodic volatility caused by the Bucking Bull, investors need to remain fearless, in our view.

Semiconductors And Mag 7 May Be Entering A Correction

Semiconductors and the Mag 7 have not been able to break to new highs and hold those levels. Price momentum for both groups, based on the 14-day stochastic, also looks to be peaking. We may be entering a correction. The good news is that the S&P 500 advance-decline line reached a new record high, confirming the Bull is still charging. But the market may just have some bucking to get through.

VanEck Semiconductor ETF (SMH) With 14-Day Stochastic



Mag 7 With 14-Day Stochastic



Plan for Greater Diversification In 2026 To Drive Portfolio Performance

We believe it is important to have a diversified portfolio entering 2026 as we expect the year to have volatility. It will also be prudent, in our opinion, to have some dry powder to seize possible opportunities when market leadership can be added to portfolios at better values.

More Frequent Corrections Of Equity Markets

Historically, equity market corrections happened about once every four years, where the equity market would reset with a 20%-30% correction. Today these corrections are happening more frequently as information is instantaneous and computer programs can trade on every word they process. The S&P 500 has had four bear market corrections in the past eight years. This increase in volatility can unnerve investors, but we believe in the notion that volatility brings opportunities. So, if and when volatility rears its ugly head in 2026, investors should remain fearless.

S&P 500 With 4 Bear Market Corrections Since 2018 (In 8 Years)



Source: Bloomberg with Annotations by Sanctuary Wealth, November 2025

Non-U.S. Equity Markets Forge Into A Secular Bull Market In 2026

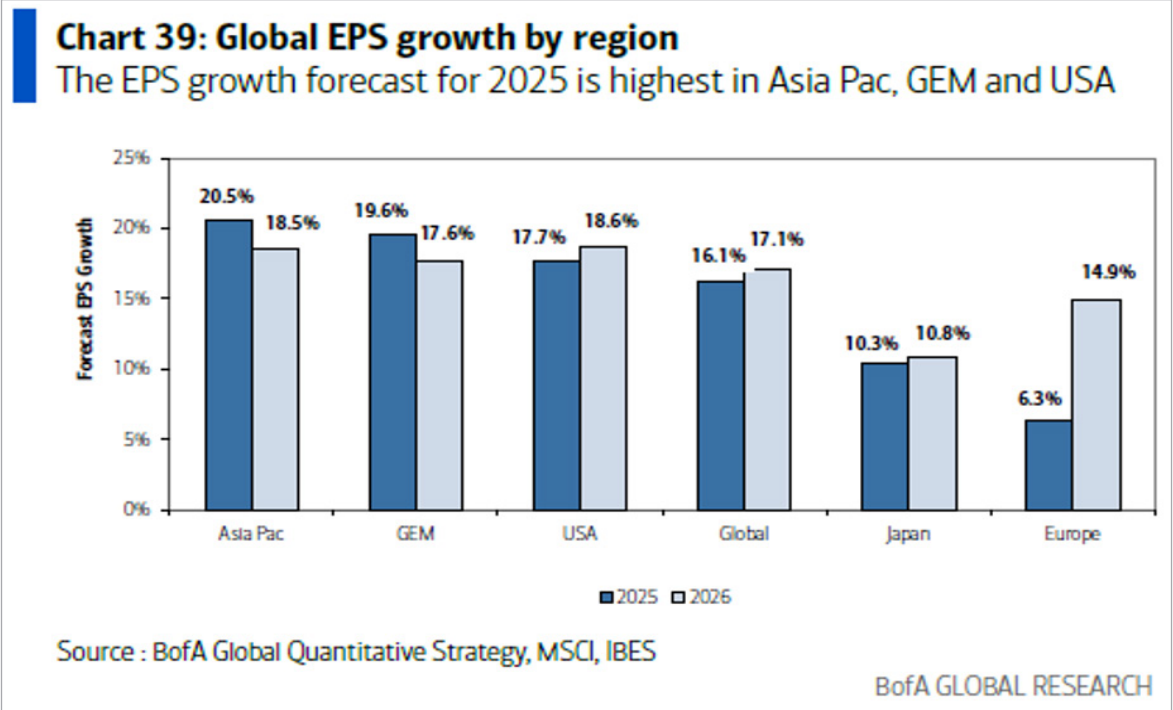
Non-U.S. equity markets have outperformed the S&P 500 in 2025, with Europe up 26.94%, Japan up 22.88%, and Emerging Markets up 28.84%. Global returns relative to the U.S. are on track to be the strongest in 30 years, supported by improving earnings growth and declining correlations with the U.S. market. We believe that all this indicates the early stages of a secular bull market abroad. Valuations are also more attractive, and because these markets have far less Technology exposure than the U.S., they are inherently more Value-driven. So, by adding exposure of non-U.S. equity markets, a portfolio is also diversifying with Value exposure.

Global Equity Returns vs. U.S. On Pace For Best In 30 Years



Source: BofA RIC November 2025

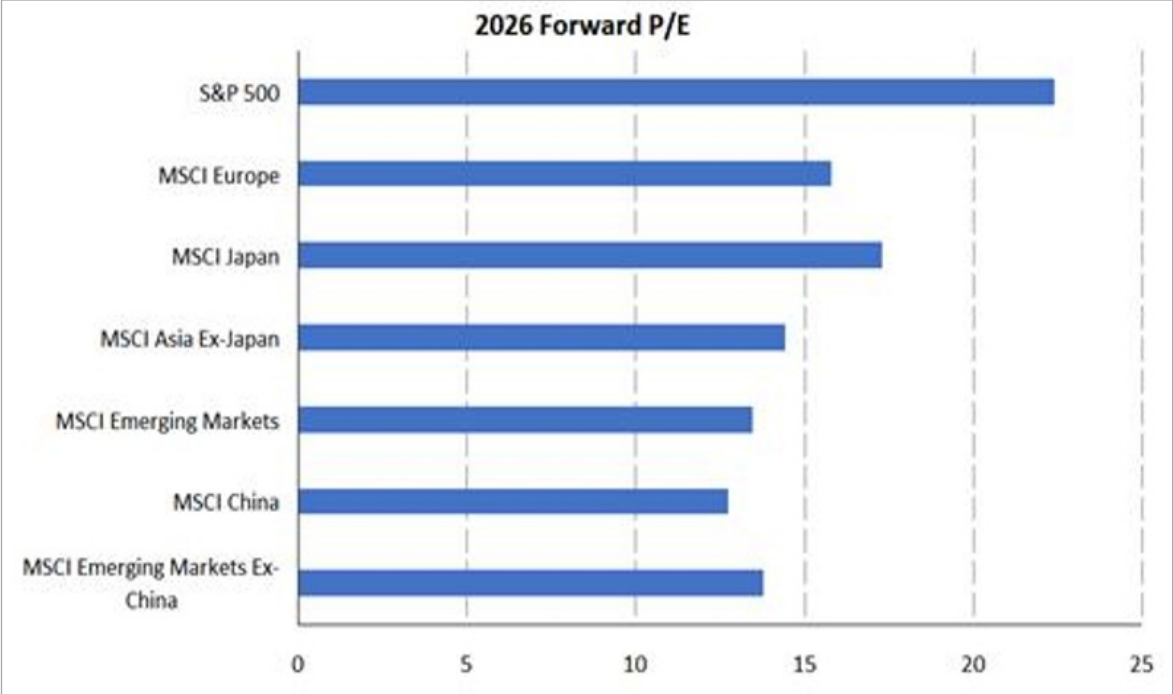
Global Rally Has Support Of Earning Growth Globally



Source: BofA Global Quant Strategy October 2025

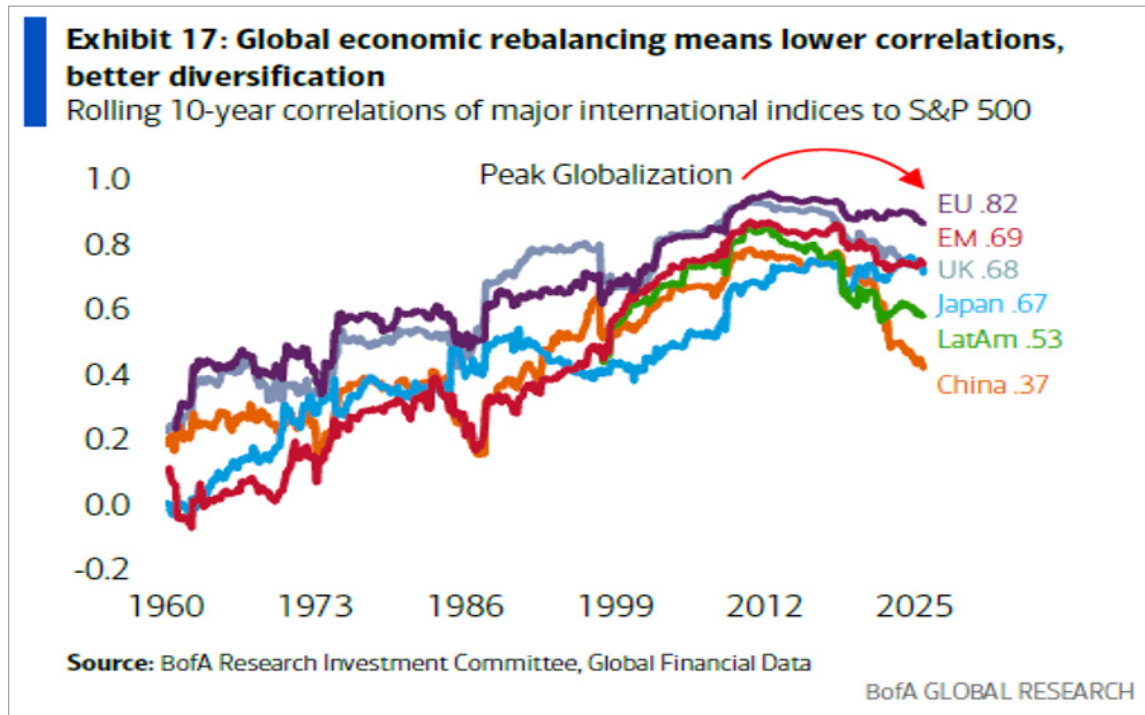
Forward Price/Earnings Ratio For Global Equity Markets

U.S. Most Expensive, Emerging Markets and China The Cheapest



Source: Bloomberg, Sanctuary Wealth November 13, 2025

Global Equity Market Correlations Are Falling Relative to U.S.



Source: BofA; RIC November 2025

Interest Rates To Trade In A Range With Risk Of Rising In 1Q26

Interest rates are clearly continuing to decline, but trends often are not in a straight line. Seasonally rates begin to rise in December, typically driven by a demand for cash as companies close their books for the year. This upward bias in rates tends to carry over in the first quarter of the following year. We see the risk of interest rates rising in 1Q26, which should cause some volatility in portfolios – another reason we are stressing diversification for the year ahead.

2-Year Treasury Yield Risk Of Rising Before Falling

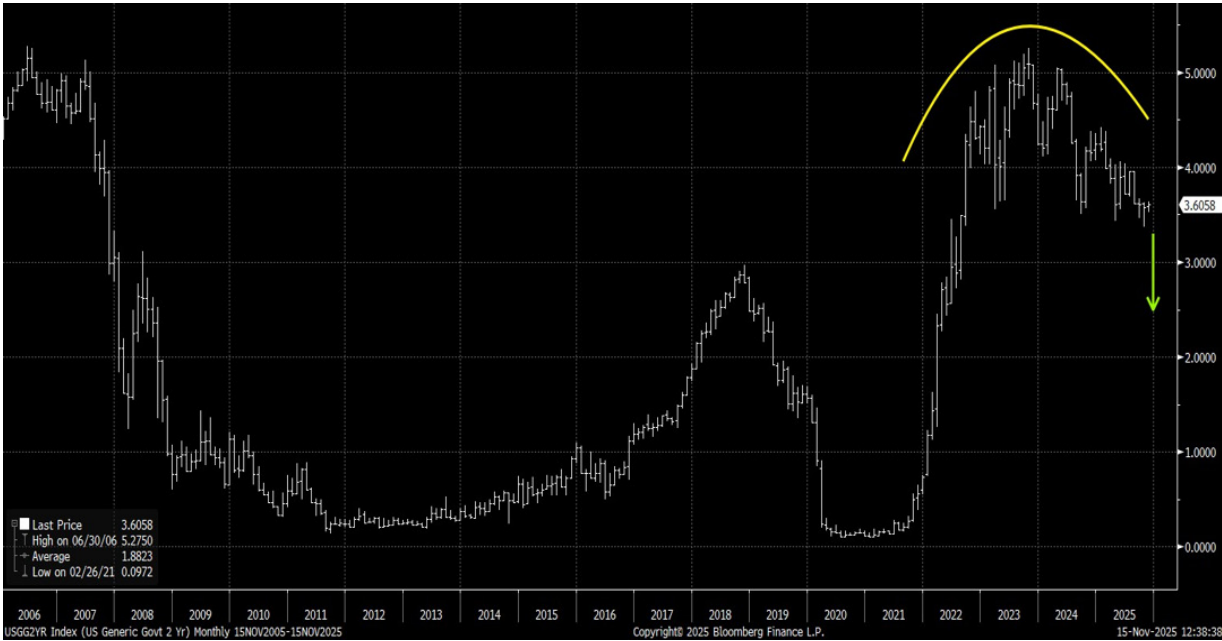
We believe the 2-Year Treasury yield is at risk of rising in 1Q26 to 3.6%-4.0%. But then the downtrend should resume, in our view. The projections for the downtrend are 3.0%-2.5%. So, we see a wide range for rates in the coming 12-18 months.

2-Year Treasury Yields At Risk Of Rising 1Q26 To 3.6%-4.0%



Source: Bloomberg with Annotations by Sanctuary Wealth, November 2025

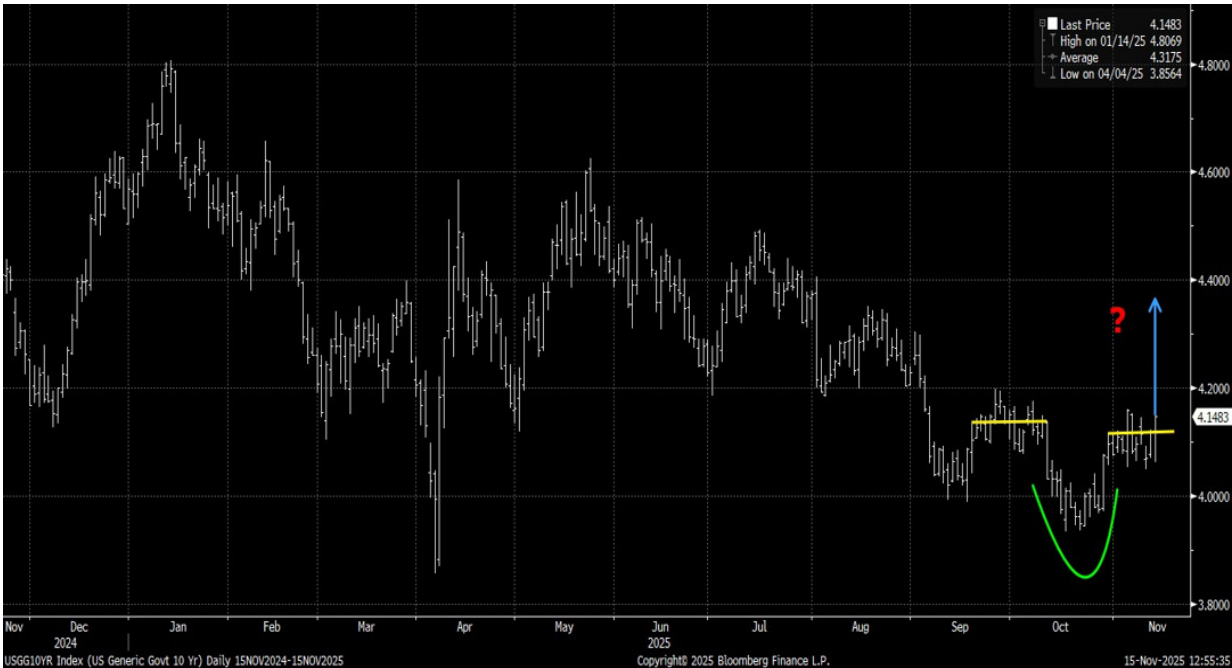
2-Year Treasury Yield Long-Term Trend Down Toward 3.0%-2.5%



Source: Bloomberg with Annotations by Sanctuary Wealth, November 2025

10-Year Treasury Yield At Risk Of Rising Before Falling

10-Year Treasury Yields At Risk Of Rising 1Q26 Toward 4.3%-4.4%



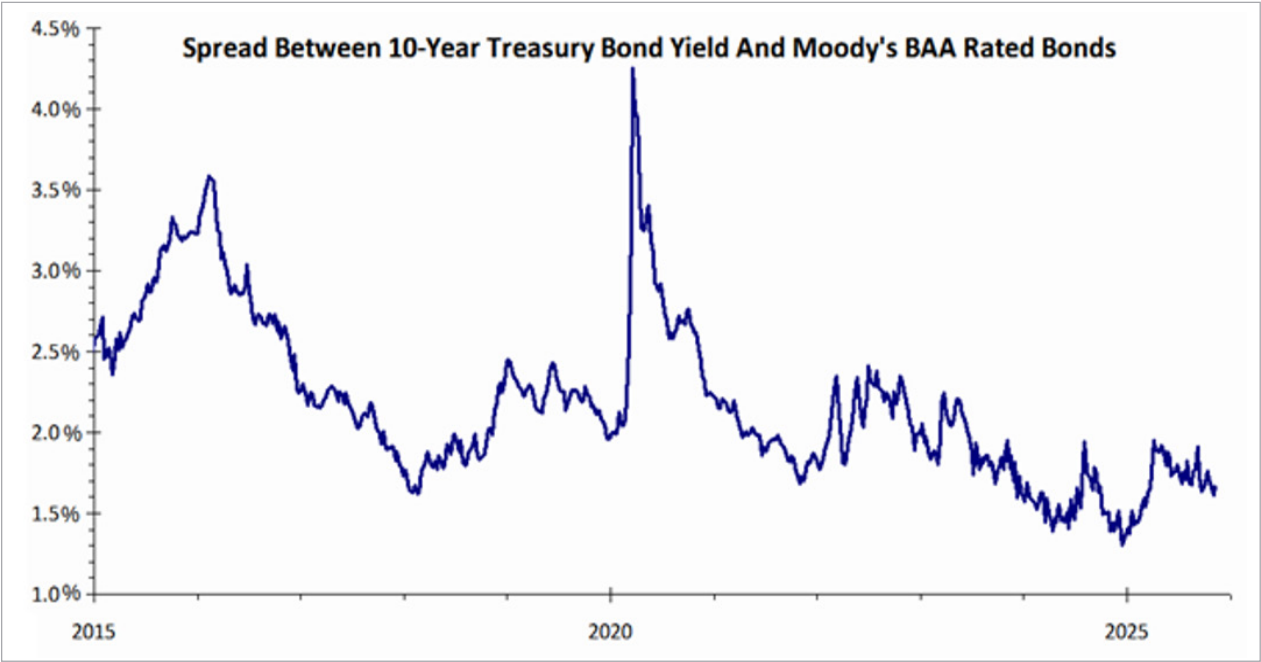
Source: Bloomberg with Annotations by Sanctuary Wealth, November 2025

10-Year Treasury Yields Long-Term Trending Toward 3.0%



Source: Bloomberg with Annotations by Sanctuary Wealth, November 2025

Spreads Remain Tight And Are Not Signaling Any Major Financial Risk



Source: Moody's, Bloomberg, November 2025

A Notable Commodity On The Move: Natural Gas

During December, we've seen an Arctic cold spell move across parts of the U.S. – and natural gas prices responded with a breakout. As a result, we expect higher prices, increasing toward \$6.00 or a 20% move higher.

Arctic Air In Parts Of The U.S. Breaks Out Natural Gas



Source: Bloomberg, Annotations by Sanctuary Wealth

Silver Linings For The Holidays: Silver Has Broken Out

Silver prices have undergone a dramatic breakout, surging over 100% year-to-date to record highs. On December 9, with unprecedented volatility and momentum, Silver smashed through the \$60 per troy ounce barrier for the first time. This rally, outpacing Gold's 60% gain, stems from a "perfect storm" of factors: structural supply deficits for the fifth consecutive year, booming industrial demand, ETF inflows (\$2 billion so far in Q4), and a weakening U.S. dollar. Technically, Silver broke a multi-decade trading range above \$50-\$55 resistance in late October, with the gold-silver ratio collapsing to 71.9 (favoring Silver), signaling potential targets of \$80-\$100+ in 2026 – if momentum holds.

Unlike the speculative frenzy of the 1980s – when brothers Nelson Bunker Hunt and William Herbert Hunt amassed roughly one-third of the global silver supply through futures and physical hoarding – this year's breakout is driven by fundamentals. Industrial and broad-based financial demand, rather than leveraged hoarding, is fueling the move, resulting in lower leverage risk despite similar delivery strains.

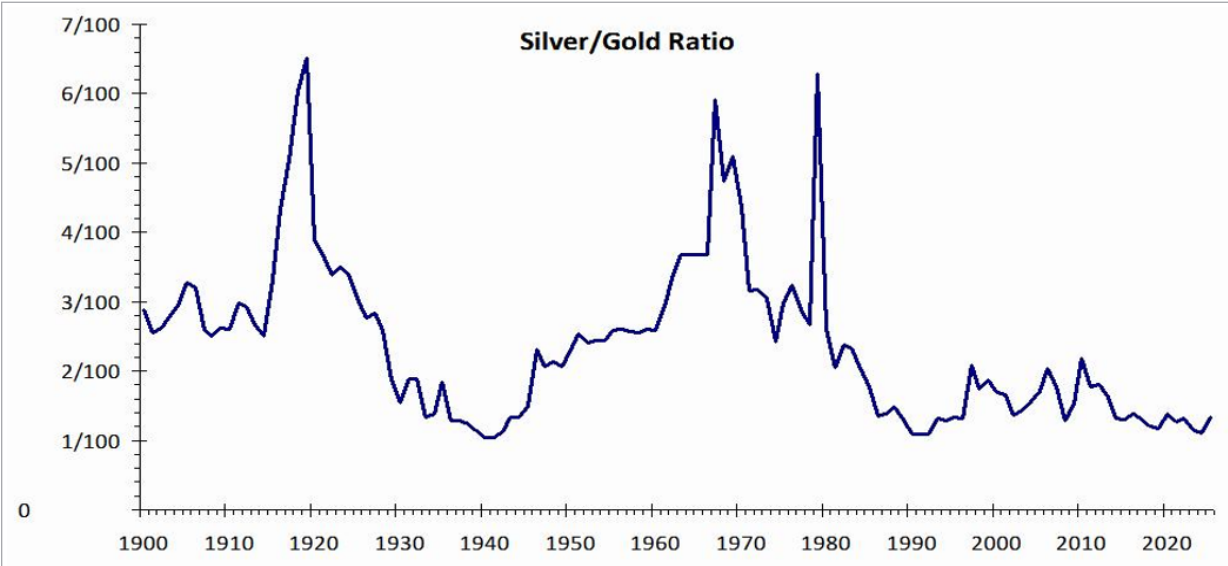
Metals in general have entered a secular bull market. We remain bullish on Silver.

Silver Enters A Secular Bull Market



Source: Bloomberg, Annotations By Sanctuary Wealth, December 14, 2025

The Ratio Of Silver To Gold Could Rise, Appearing To Have Bottomed, Favoring Silver



Source: St Louis Federal Reserve Bank, MacroTrends, Bloomberg, Sanctuary Wealth, December 10, 2025

Last Words

The secular bull market remains firmly intact as we head into 2026, even if the coming year brings more consolidation than acceleration. The economy continues to be supported by rising productivity, strong corporate balance sheets, resilient consumer spending, and an innovation cycle that is still in its early stages. While valuations are elevated after a powerful two-year advance, we continue to see a long runway for equity markets, with the S&P 500 still on track to reach 7500 in 2026 and 10,000–13,000 by decade-end. Growth stocks, led by Technology and Tech-related industries, should maintain long-term leadership despite the likelihood of a reset in early 2026.

Interest rates may experience a short-term uptick in the first quarter of 2026, which would be consistent with historical seasonal patterns, but we still expect the broader trend to slow and eventually move lower. A firming U.S. dollar could add volatility and weigh on multinational earnings, yet it also reflects a fundamentally strong U.S. economy and helps attract global capital.

Any near-term pullbacks should be viewed through the lens of opportunity rather than risk. With international markets entering their own secular bull phase and offering more attractive valuations, we believe thoughtful diversification will be a driver of portfolio performance in the year ahead. In our view, the market's "reset" in 2026 is simply setting the stage for the next advance in the long-term uptrend of our Bucking Bull.

Risks To Our Outlook

These are potential risks to our outlook that we are watching:

- Inflation remains one of the biggest risks to both equity and fixed income markets.
- Earnings may continue to grow, but not as fast as investors have priced into stocks.
- A significant deterioration in the labor market could make investors nervous about the economy.
- Concerns about a slowdown in consumer spending and geopolitical risks remain.

Don't be fearful in the face of corrections – be fearless

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