PVG Asset Management
Loss Averse Investing

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2026 Outlook

We continue to keep our guard up to protect if we need to from a drop in the market, but we see the potential to have another good year as inflation comes down and the markets get a double blast of both fiscal and monetary policy.

First, we wanted to let you know we have expanded our team even more by adding an affiliation with a very reputable CPA firm, and we have estate planning attorneys we work with. We have a team to service your needs, asset management, wealth management, insurance consulting, financial planning if needed, estate planning, tax preparation, and tax planning through our affiliated or completely separate professionals. We have attached information on the CPA affiliate.

Last year was **A Year of Change** and we believe this year will be **A Year of Acceleration**. We see a positive environment for equities in 2026, with the markets to be broader in the number of stocks performing well. The S&P 500 is up for the third year in a row, by double digits. There have been three other times when the market was up four years in a row by double digits: 1995-1999, 1949-1952, and 1942-1945. Only once 5 years in a row by double digits, but 1982-1986 was a strong period with one year below 10%.

Volatility this year will likely be similar to 2025, which had a -19% pullback, but we see a positive year as the economic trends accelerate. We believe liquidity in the financial system will improve, making the dip a buying opportunity. The Fed will likely continue to cut rates. More initiatives will come from Trump with a focus on housing and healthcare. We see the economy gaining momentum in 2026. The valuation of the market is historically very high so returns will need to come from earnings growth as the economy **accelerates**.

Our biggest concerns are the potential of the 10-Year Treasury yield rising causing valuations of equities to be too high. With roughly 48% of the S&P 500 in technology and related, if this gets unwound in a disorderly fashion as investors gravitate to other sectors of the market it could cause a significant correction. The outlook for 2027 “should be” positive, but that is not certain yet, and finally, the risk of the midterm elections will surface in the second half of the year.

Earnings are expected to accelerate from 11.5% in 2025 to 14.4% in 2026. All sectors are expected to be positive with real estate being the lowest at 5%.

We began to see the rotation in 2025 out of the Mag 7 into other sectors of the market. We believe rotation and stock picking will be a bigger driver in 2026. What we mean by **a year of acceleration** is the trends driving the market and the economy is kicking into a higher gear with a broader market.

In 2025, we expected a correction or bear market type of decline and clearly got that with a -19% decline, bottoming in April. We expected a better market as we went through 2025, it surprised us just

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how strong it was, blazing right through the typical seasonal weakness in August-October, ending up about 16% for the S& P 500.

There should be a number of big IPOs in 2026, including SpaceX and Starlink. Our guess money from the technology sector will be used to fund these newly listed companies.

As a theme, we like housing and other cyclical growth stocks. This encompasses a number of industries. We think the Treasury Department may shrink the amount of the 10-Year Treasury bonds to bring mortgage rates down. Mortgage rates should drop.

There is pressure on drug prices, and major drugs are coming off patent by the end of the decade. Biotech is becoming a major beneficiary; the sector could continue its very strong momentum up over 30% in 2025 for the NBI.

It could be the time for small-cap stocks to have a big year, as the Russell 2000 has broken out technically, and we see some market strategists with over double the earnings growth of the S&P 500.

The economy has a good foundation in place due to fiscal policies that favor growth such as, lower taxes, incentives to invest in property, plant, and equipment, incentives to produce in the U.S., or rather penalties if you don’t, tariffs to move growth to the U.S., lower regulations, increase in defense spending, pro-energy production, lower energy cost, more efficient government and AI and Cryptocurrency low regulation. Monetary policy should be stimulative with lower inflation due to more production of goods available in the economy, it should allow the Federal Reserve to continue cutting interest rates. There is a chance we actually see some prices fall significantly.

To summarize, we have a highly valued stock market, but many sectors and stocks should see positive growth, and many are attractively valued. A large part of the stock market gains over the last several years have been largely in the technology sector and has left many stocks that have not performed attractively valued. Should we have dislocation in the market, like last year, we plan to take advantage of this volatility.

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