

January 4, 2026

Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Bitcoin	Gold	Crude Oil
48,382	6,858	23,236	2,508	4.19%	90,431	\$4,330	\$57.32

## *Investment Strategy Report*

### *Stocks Make It 3 Years In A Row For Double Digit Gains*

2025 was another banner year for stocks, as prices moved higher throughout the year, overcoming the temporary tariff pullback in April. For the full year, the S&P 500 was up 17.9%. The Dow and the Russell 2000 small cap index were both up 13.0% while the tech-heavy Nasdaq was up 20.4%. Our 4 growth mutual funds did even better than the Nasdaq, up an average of 20.9% for the year. As the year ended, the debate between growth and value, large cap vs. small cap, and US vs. foreign stocks continued. While some of the Mag-7 stocks faltered, on average, growth had another good year as evidenced by the Nasdaq's (and our growth fund) outperformance. However, there were signs that the stock market was beginning to broaden out. Solid performances by financials have led some to believe that value stocks might now have their turn to shine in 2026. Talk of AI bubbles has caused some to begin to think about diversifying their portfolios away from the growth standouts. Anticipation of more rate cuts from the Fed has some thinking that small caps might be the biggest beneficiaries. And a strong 2025 performance from international stocks has caused some to reduce their US exposure and shift some assets overseas.

While now is the time for analysts to make their predictions for the new year, I like to instead focus on the short term – what's working now. Where should we be positioned for the next 1 to 2 months. There are too many variables for longer term forecasts to have any value. As we transition into a new year, there is no reason to expect that those areas of the market that are working now won't continue to do well in the next few months. One area of the market that I have avoided for many years and have no immediate plans of adding to are foreign stocks. While this area of the market did well in 2025, it did so because of outstanding performance in the first half of the year. During the second half, these stocks went nowhere, significantly underperforming. So until proven otherwise, there is no reason to add to this sector. Small cap stocks, on the other hand, did outperform slightly (by about 4%) in the second half although they underperformed for the year as a whole. So I will maintain our small positions in these funds and continue to monitor for more signs of life here. And lastly our growth funds, which have outperformed for 3 years now, did so in 2025 even though their performance during the second half was basically on par with the S&P 500. However, while they matched the S&P performance over the last 6 months, their earnings growth continues to outpace that of the broader market, so I see the potential of outperformance again in the near future.

As for the forecast for the stock market in general, midterm election years can be challenging based on historical underperformance. But the trend in place now for stocks is upwards. As Brett Eversole (Stansberry Research) points out in his 12/31 column, after 3 years of a bull market, everyone is trying to become a market legend today by calling a top. "Let's face it ... If your bullish call on the market is proved right, that's nothing special. Markets usually go up. But if your bearish prediction is proved right, that's different. You look like a genius". Brett continues with "The market is healthy, based on the measure that matters most. We shouldn't assume we're anywhere near a top until that changes. In fact, we're entering 2026 with a darn bullish setup on our hands". He is talking about market breadth, which describes the number of stocks rising vs. falling. "As you can see, stocks have risen throughout the year. And the advance/decline line (a measure of market breadth) for the whole NYSE is hitting all-time highs right alongside the overall market. No divergence is in sight". He is countering the critique that the market advance is being powered by just 7 stocks, the Mag-7. "The market isn't rising on the backs of just 7 stocks. Instead, most stocks have been rising all year". "As we enter 2026, the market is as healthy as ever". Brett also is on board with our "bias towards growth" strategy. In his 12/10 column, he stated that "Since their November bottom, technology stocks just rallied for 12 straight days. According to history, when tech stocks win like this, they tend to keep winning. 27 years of data shows that we can expect a 14% rally over the next year". So the message for 2026 is clear: stay invested and don't give up on growth any time soon.

**401K Contribution Limits For 2026** – The maximum contribution amounts for company retirement plans (401Ks and 403Bs) have increased for 2026. The base maximum is now \$24,500. For those over 50, the amount is \$32,500. And for those born in 1963-1966, you are able to contribute a maximum of \$35,750. IRA contribution maximums increase to \$7,500, and \$8,600 for those over 50 (but if you are making a 2025 contribution during the first few months of 2026, the maximums are \$7,000 and \$8,000). *Jeff Feldman*