



The Corner



January
2026

Patterns find Similarities and Differences for Markets and Opportunities

Executive Summary

The equity market returned a solid 17.9% (including dividends) in 2025 – a 16.4% return in capital gains alone. Our analysis continues to support a secular bull market driven by economic growth, consumer spending, and transformative technologies. Corporate earnings continue to rise and profit margins are still expanding, which we expect to buoy the equity market and boost economic activity. We believe the S&P 500 could reach 7500 by year-end, which would be a 7.5% gain from current levels. Our long-term target for this secular bull market remains 12,000–13,000 for the S&P 500 by 2029–2030.

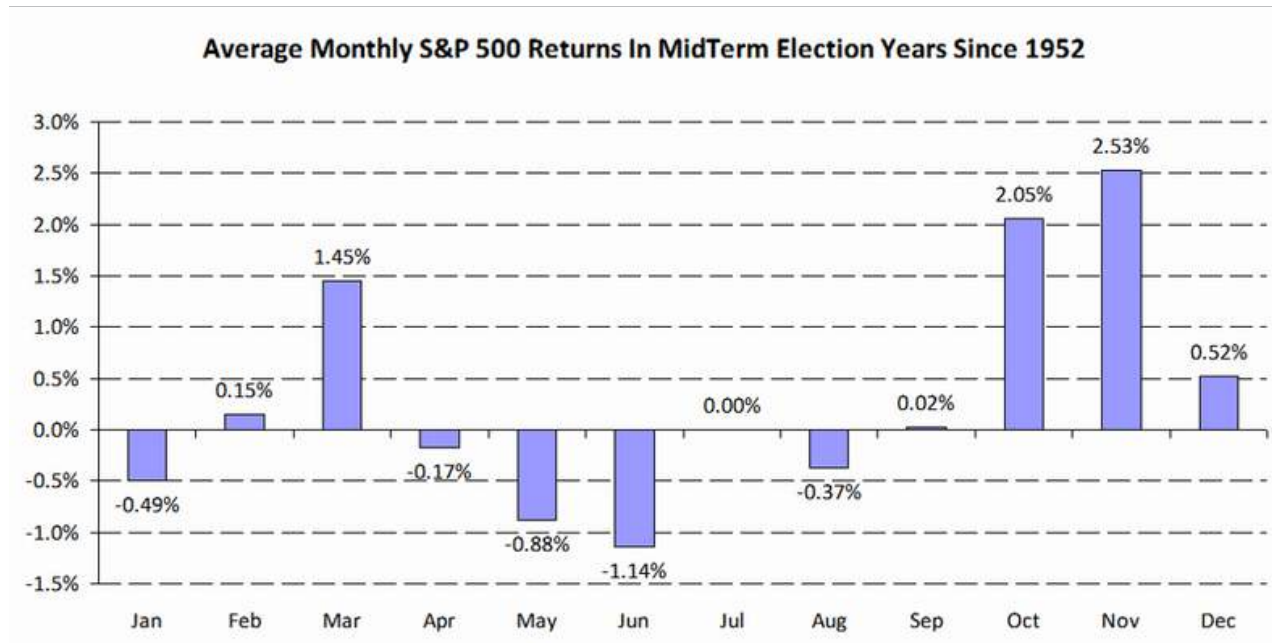
Interest rates have a seasonal bias to rise in the first quarter of a new year. The Federal Reserve (Fed) works to ensure sufficient liquidity, particularly to meet capital demands tied to tax payments in December and April. Even so, we're seeing a near-term uptick in both the 2-year and 10-year Treasury yields, even as the broader trend in rates still points downward.

This month, we explore what a mid-term election year typically brings for markets, why returns could be better than average, how to hedge volatility if they're not, and how the S&P 500's sectors are positioned today.



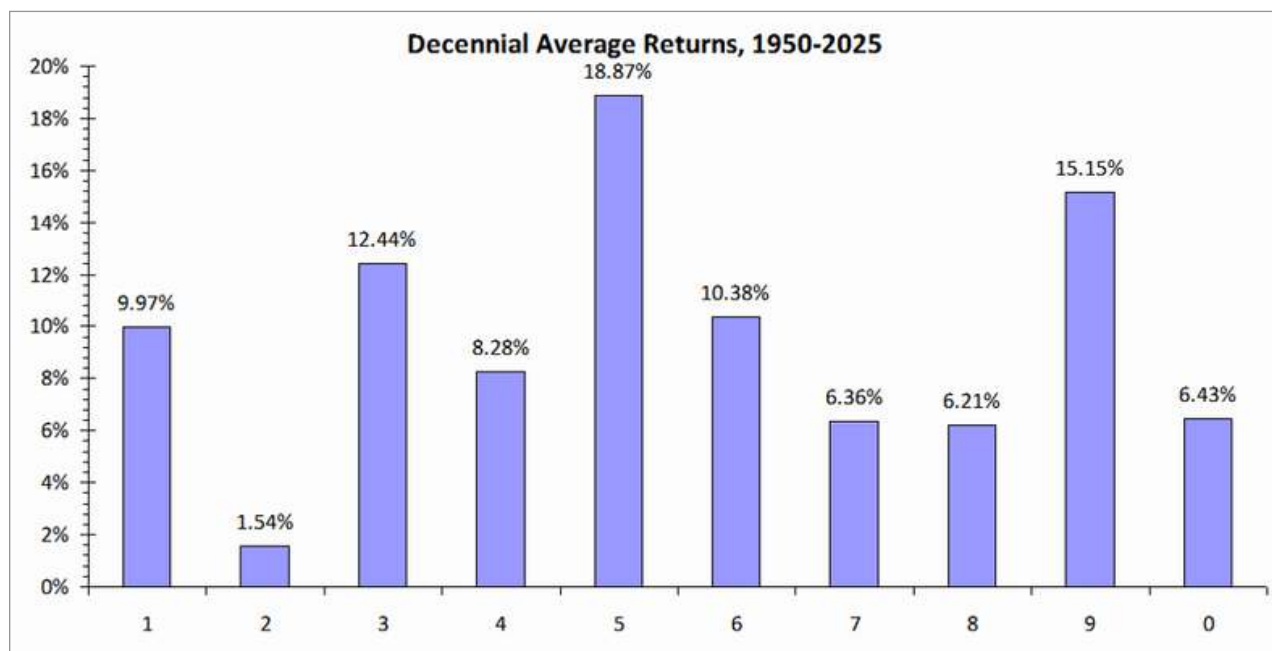
The Market And The Presidential Pattern

Since 1952, the mid-term election year of a presidential term has seen the S&P 500 rise by a mere 3.4%. The variation in these returns, however, is extremely large, with the standard deviation measuring more than 19%. In 1954, a mid-term election year, the market rose over 40%; in 1974, a disastrous year for the United States that saw Richard Nixon resign the presidency just before Arab Oil Embargo struck the economy, the market dropped over 29%.



Source: Sanctuary Wealth, September 6, 2025

There is also a decennial pattern that tracks how the market performs on average in each year of a decade. Since 1950, in years ending in 6, the market has returned 10% on average, with a standard deviation being the lowest among the years of a decade.

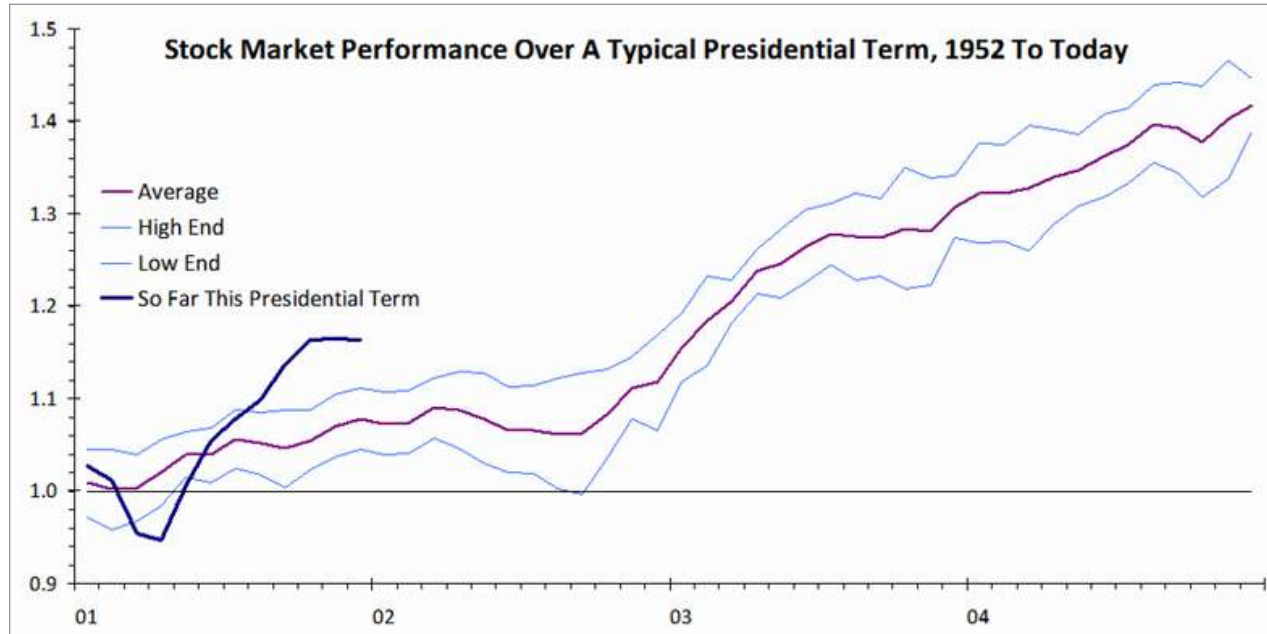


Source: Sanctuary Wealth, January 4, 2026



There have been 3 years with mid-term elections that also ended in 6. These are 1966, 1986, and 2006, which had returns of -11.0%, +33.5%, and 17.5% respectively.

So far in this presidential term, the market has risen more than average by almost 3 standard deviations.



Source: Sanctuary Wealth, January 11, 2026

It's Different This Time. Really.

One of the most dangerous things investors hear during an economic and stock market boom is, "It's different this time." That's usually said in order to justify high stock prices: "It's different this time. These valuations are reasonable." The phrase is traditionally taken as a sell signal, a sign that complacency has replaced vigilance, that overleverage and imbalances threaten to overtake a bull run.

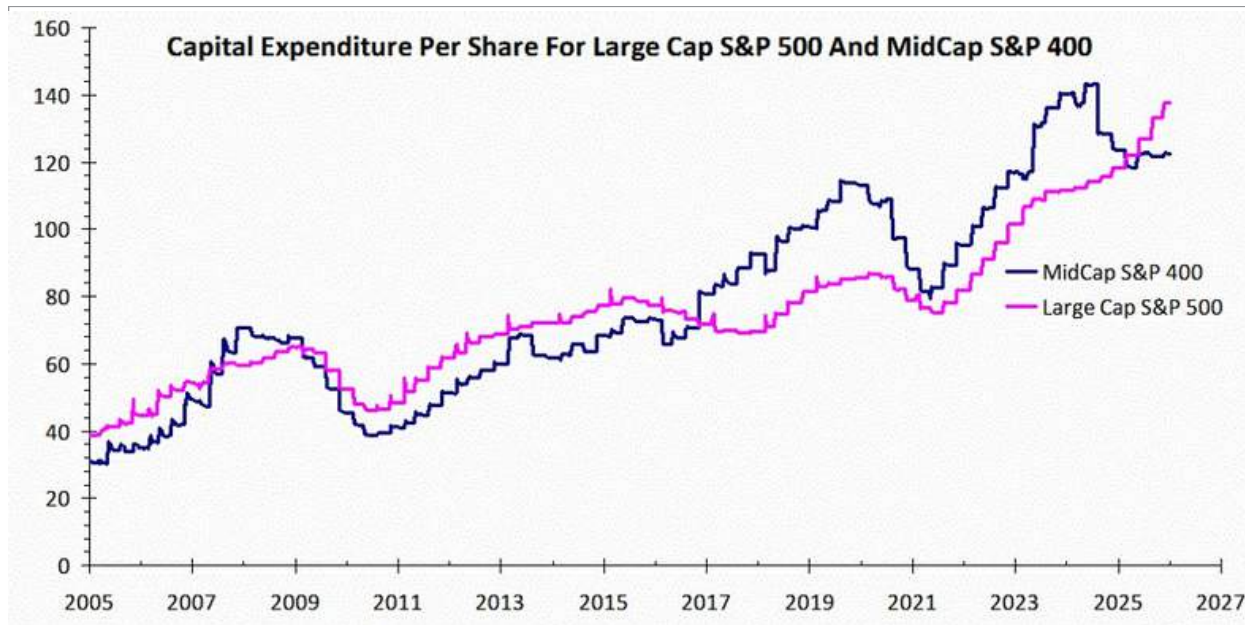
The truth is that every market and every economy is different, but from cycle to cycle, they all bear strong resemblances and repeating patterns.

Yet in the current cycle, there are compelling reasons to believe that structural differences could sustain growth longer than in past booms. Consider the ongoing artificial intelligence (AI) data center build-out, which is poised to deliver a significant boost to the U.S. economy in the first and second quarters of 2026. This isn't mere hype; it's backed by massive capital investments that echo – yet surpass – the infrastructure ramps of previous tech eras.

The debt-fueled expansion into AI has only just begun, with major firms leading the charge. Oracle stands out as a prime example, having issued billions in bonds to fund hyperscale data centers and AI cloud services, betting on exponential demand for computing power. Other tech giants, midcaps, and even smaller players are following suit. Notably, trailing 12-month aggregate capital expenditures (CapEx) for the S&P 500 have pulled ahead of the S&P MidCap 400 in recent quarters, with large-cap CapEx reaching \$138 per share versus \$122 per share for midcaps as of Q3 2025 (Bloomberg data through year-end; Q4 earnings season begins January 15). This shift – where large-cap spending overtook midcap levels by mid-2025 – is largely driven by AI and data-center investment among mega-caps, while midcaps continue to show resilience and participate across a broader set of growth areas, potentially spreading economic benefits more widely and reducing the concentration risks seen in prior market bubbles.



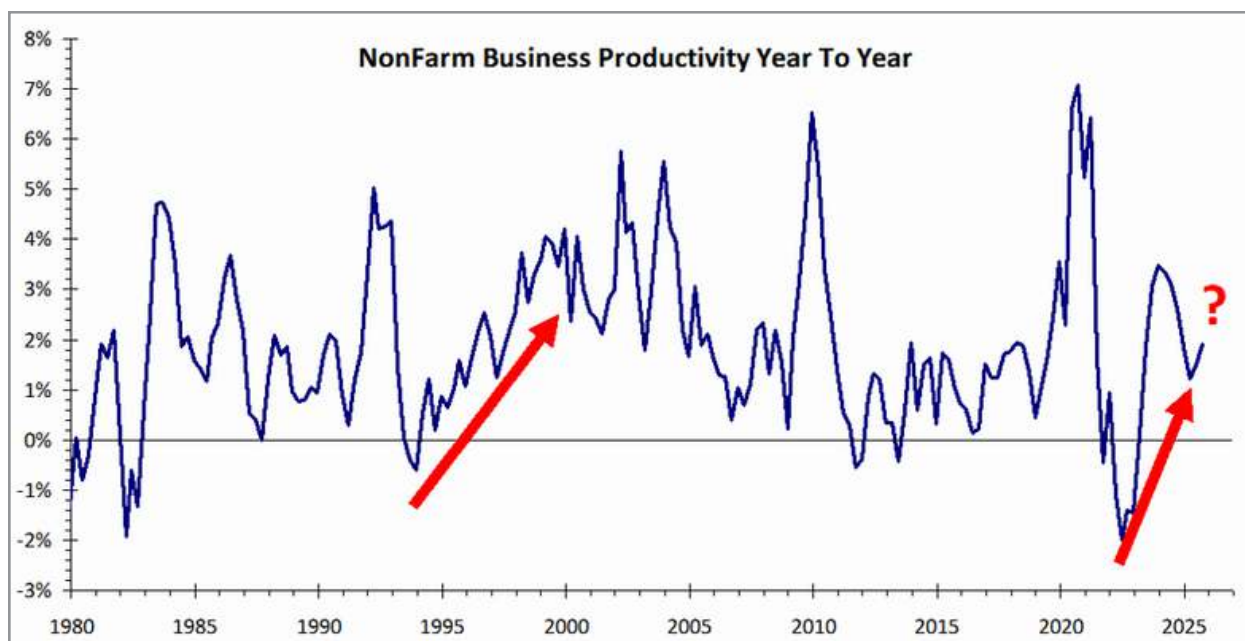
S&P 500 CapEx Per Share Exceeds S&P 400 CapEx Because Of AI Investment



Source: Bloomberg, Sanctuary Wealth, January 2, 2026

Moreover, AI adoption is accelerating at a pace that dwarfs the internet rollout of the 1990s. Back then, connectivity spread gradually through dial-up modems and early e-commerce, with U.S. household penetration rising from about 1% in 1990 to 50% by 2000. Today, AI tools are integrating into workflows through seamless APIs and user-friendly platforms. The Bureau of Labor Statistics' (BLS) latest productivity data, released January 8, underscore this trend: nonfarm business sector productivity rose at a 4.9% annualized rate in Q3 2025 – the strongest gain in years – driven in part by AI-enabled automation across services and manufacturing. We believe productivity gains have the potential to be sustained, echoing the multi-year productivity expansion seen from 1995 to 2000.

Productivity Was Surprisingly Strong, In Part Because Of AI Integration



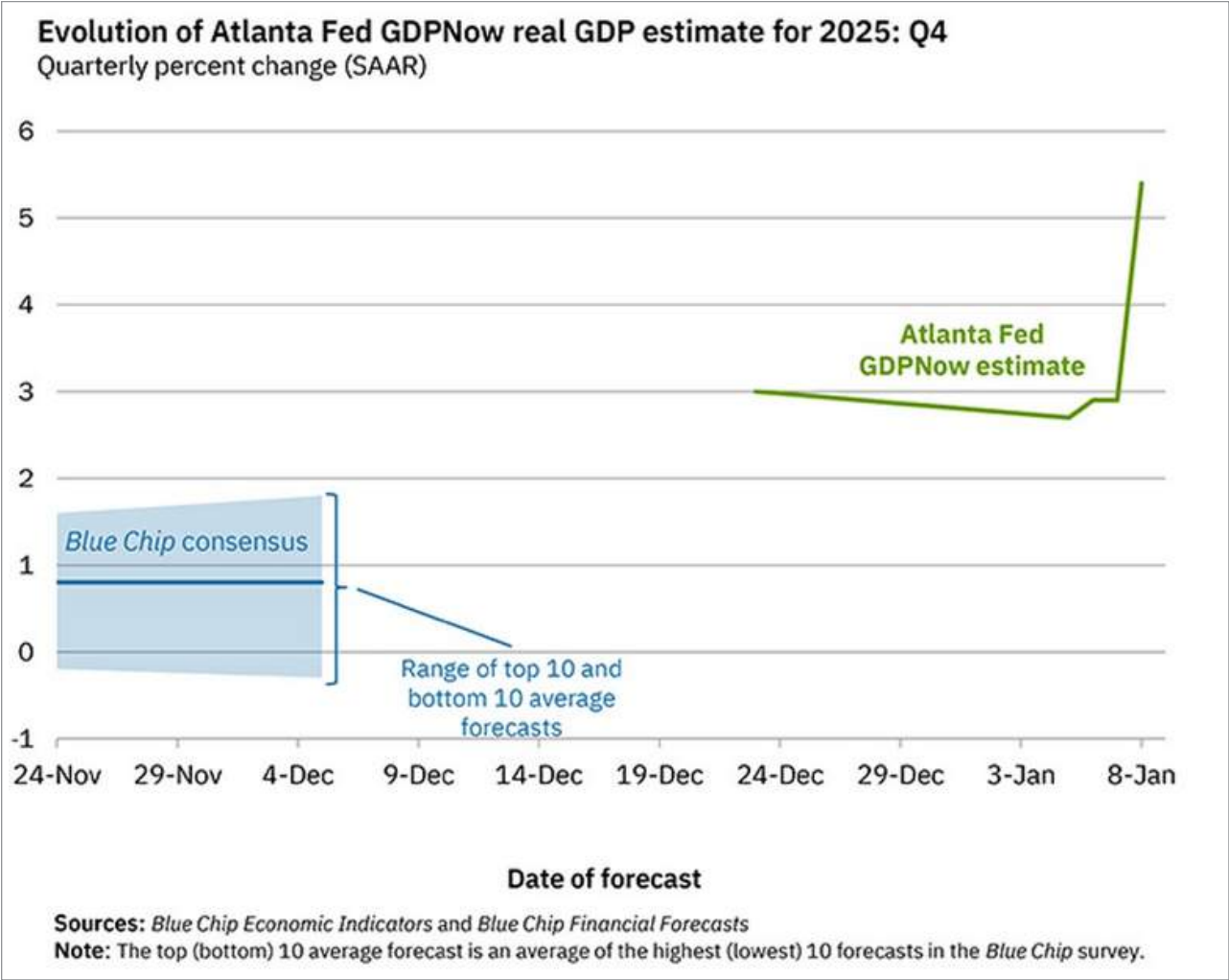
Source: Bureau of Labor Statistics, Sanctuary Wealth, January 8, 2026



AI As A National Strategic Asset

Beyond productivity, AI is central to national defense, and the U.S. has historically spent whatever it takes for defense. We anticipate continued investments in AI to maintain an edge in autonomous warfare and cybersecurity going forward. If this trajectory holds, AI could propel GDP growth above 3% in early 2026, marking a genuine departure from post-2008 stagnation patterns. On January 8, the Atlanta Fed's GDPNow estimate was updated to 5.4% annualized for Q4 2025, well in excess of 3%.

The Atlanta Federal Reserve Is Projecting 5.4% Real GDP Growth For 2025 Q4



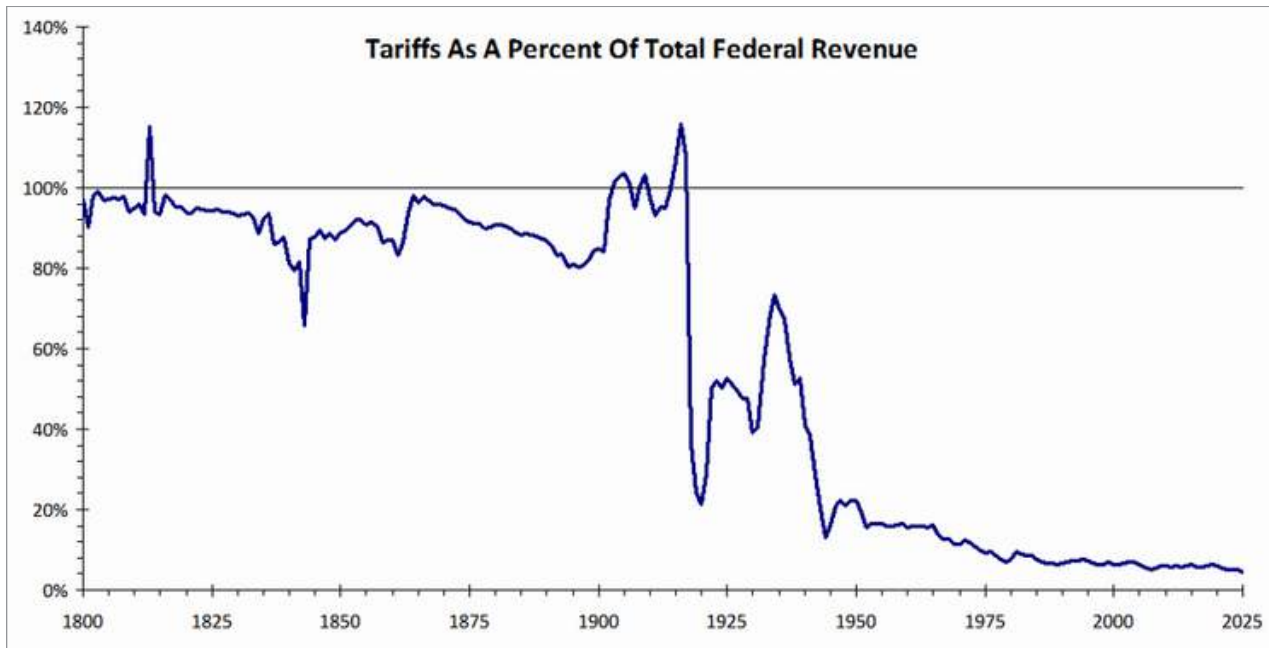
Source: Federal Reserve Bank of Atlanta, January 8, 2026

The End Of The Post-War Market

Tariffs represent a tremendous change in American fiscal, foreign, and industrial policy. The U.S. federal government was largely funded by tariffs until the end of World War II, with customs duties accounting for the bulk of federal revenue—often 80% to 95% during the 19th century—before the permanent income tax took hold following ratification of the 16th Amendment in 1913. After World War II, the U.S. pursued a policy of free trade to boost the economies of its allies and conquered nations, encouraging them to avoid communism amid the Soviet Union's global spread. This strategy grew the economy in the free world during the Cold War, drawing nations into the U.S. economic, diplomatic, political, financial, and cultural orbit.



Tariffs Were The Primary Source Of Federal Revenue Until After World War II



Source: U.S. Treasury, www.usgovernmentrevenue.com, Sanctuary Wealth, January 8, 2026

Free Trade Is Not Free

The U.S.'s commitment to free trade has also carried costs. The Triffin paradox (or dilemma) implied that other nations would underprice goods to gain market share and accumulate U.S. dollars for trade and reserve purposes. While this system gave the U.S. what French Finance Minister Valéry Giscard d'Estaing famously labeled an "exorbitant privilege" in 1965, it also contributed to persistent trade deficits and – consistent with the twin deficits hypothesis articulated by economist Martin Feldstein in the 1980s – has often coincided with sustained federal budget deficits. The U.S. has shifted from the world's largest creditor nation to its largest debtor. After roughly eight decades of policy continuity, the Trump administration's economic and trade agenda marked a clear break from that framework. The new tariff regime is currently being challenged in the courts, and we are awaiting a Supreme Court ruling on its legality. Even if the tariffs are struck down, the administration has indicated it has alternative mechanisms to keep them in place, making this a policy area we must continue to monitor closely.

The End Of the Post-War Period

The end of trade without significant tariffs marks the end of the Post-War Period that spanned those 80 years. The sometimes nail-biting Cold War that constituted the first half of that period concluded on Christmas Day in 1991 with the dissolution of the U.S.S.R. During the rest of the 1990s, the world enjoyed a "peace dividend." When President Clinton first took office, he declared "deficits as far as the eye can see" in his 1993 economic plan. But starting in 1998 and continuing into 2001, the federal budget unexpectedly shifted to surpluses, a turnaround driven by strong economic growth, tax revenues, and fiscal discipline that caught economists, politicians, and investors off guard. We believe the current economic period could echo the 1990s, when strong growth delivered unexpected surpluses and a decade-long expansion without recession from mid-1991 to early 2001.



Trade Deficit In October Was Cut 40%

One effect of the Trump administration's change in tariff and trade policy has been a notable improvement in the U.S. trade deficit. After spiking in the first quarter of 2025, the deficit has since narrowed to its lowest level since 2009 – a dramatic improvement that has received relatively little media attention. If this deficit can be maintained, we believe it should be supportive of equities, as U.S. firms may be better positioned to compete without being undercut on price by foreign competitors, consistent with the dynamics described by the Triffin paradox.

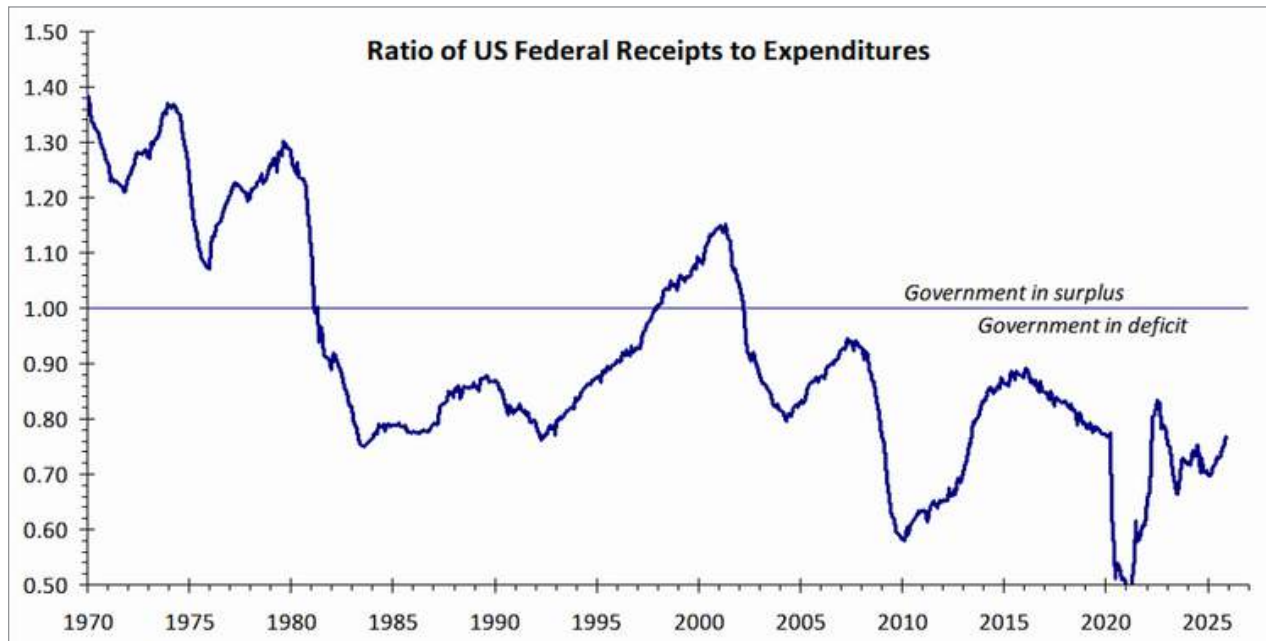
October Trade Deficit Fell from \$48 Billion to \$29 Billion



Source: U.S. Treasury, Bloomberg, January 12, 2026



The Federal Government Budget Was Last In Surplus In 2001



Source: U.S. Treasury, Sanctuary Wealth, December 12, 2025

Could shifts in tariff and trade policy further reduce – or even eliminate – the trade deficit, while also supporting U.S. manufacturing and technological development? Possibly. That said, while a narrower budget deficit cannot be ruled out, we believe a full closure remains unlikely.

People Make A Nation And Its Economy

Population growth has fallen below replacement levels across much of the developed world. Historically, few civilizations have thrived amid sustained population decline without meaningful adaptation, though modern Japan offers a case of short-term resilience despite the rapid aging of its people. In the Roman example, the Western Roman Empire saw its population fall from roughly 70 million in AD 150 to about 50 million by AD 450, as plagues, wars, and climate shifts weakened both military capacity and economic output. By contrast, in medieval Europe after the Black Death, population collapse worked in the opposite direction: the loss of 30%–60% of the population created severe labor shortages, pushed wages sharply higher, fueled uprisings such as the English Peasants' Revolt of 1381, and ultimately helped dismantle the feudal system.

Japan, whose population peaked around 128 million people in 2010, now has approximately 123 million today, but the country has maintained a high level of GDP per capita. The implementation of technology has offset the labor shortages by embracing automation, AI, and robotics. The country has also introduced AI-powered elder care systems, automated convenience stores, and government-funded robotic deployments in shipyards, prioritizing productivity while preserving cultural cohesion. *Japan has demonstrated technological leadership.*

In the U.S., low reproductive rates combined with the departure and deportation of unauthorized immigrants amid stricter policies have tightened labor markets over recent months. The Bureau of Labor Statistics estimates that over a million immigrants have left the economy in the past year, which has contributed to labor shortages in sectors such as construction and manufacturing. This is keeping unemployment low but potentially driving wages higher. Changes to the H-1B visa policy could further impact employment by prioritizing American workers.

As we have seen in Japan, AI provides powerful leverage. By automating routine tasks and amplifying efficiency in labor-scarce

fields, AI could transform demographic constraints into drivers of higher-value economic activity and a surge in dynamism.

In this new era, the convergence of transformative AI investment, policy reversals on trade and immigration, and technological adaptations to demographic realities truly set the stage for sustained prosperity moving out into the decade.

The United States, like Japan in its own way, is leveraging AI not just as a growth engine but as a solution to structural challenges, making the case that – this time – it really is different.



Dogs Of The Dow: Adding Some Stability In Case Of Volatility

The “Dogs of the Dow” is an idea first proposed by Michael O’Higgins in 1991. His method is

1. After the stock market closes on the last trading day of the year (typically December 31), review the 30 stocks in the Dow Jones Industrial Average (DJIA).
2. Rank them by dividend yield (annual dividend per share divided by the stock’s closing price). Select the 10 stocks with the highest dividend yields. These are the “Dogs” for the upcoming year.
3. Invest an equal dollar amount in each of the 10 selected stocks (e.g., 10% of your portfolio in each).
4. Hold the portfolio for the full calendar year.
5. At the end of the year, repeat the process: sell the old positions and reallocate equally to the new top 10 high-yield stocks.

The strategy does not always outperform, but in a down or volatile market, it can offer a buffer or a measure of stability in a portfolio. We believe diversification will be important in a portfolio this year.

Dogs Of The Dow for 2026

1. Verizon Communications (VZ) – Yield: 6.78%
2. Chevron (CVX) – Yield: 4.49%
3. Merck & Co. (MRK) – Yield: 3.23%
4. Amgen (AMGN) – Yield: 3.08%
5. Procter & Gamble (PG) – Yield: 2.95%
6. Coca-Cola (KO) – Yield: 2.92%
7. UnitedHealth Group (UNH) – Yield: 2.68%
8. Home Depot (HD) – Yield: 2.67%
9. Nike (NKE) – Yield: 2.57%
10. Johnson & Johnson (JNJ) – Yield: 2.51%

ALPS Sector Dividend Dogs ETF (SDOG) (Top) With Relative To S&P 500 (Bottom)



Source: Stockcharts.com, Annotations Sanctuary Wealth, January 11, 2026



Sector Review

This month we look at the 11 S&P 500 sectors and focus on a few industries that are performing well, too. We will look at ETFs that are good representatives of the sectors, and at the relative performance of those ETFs to the S&P 500. In addition, we will examine either the profit margins or analysts' published earnings expectations for the sector relative to the broad market, along with economic data or anecdotal information regarding the sectors.

Consumer Discretionary Stocks Are Improving

We think Consumer Discretionary stocks may have improving returns in coming quarters. As long as consumers have growing disposable income – that is, after-tax income – they will tend to spend it. The high-end consumer is spending double the rate of the lower end consumer in what is often referred to as a “K economy.” We believe this sector may have put in a bottom relative to the S&P 500.

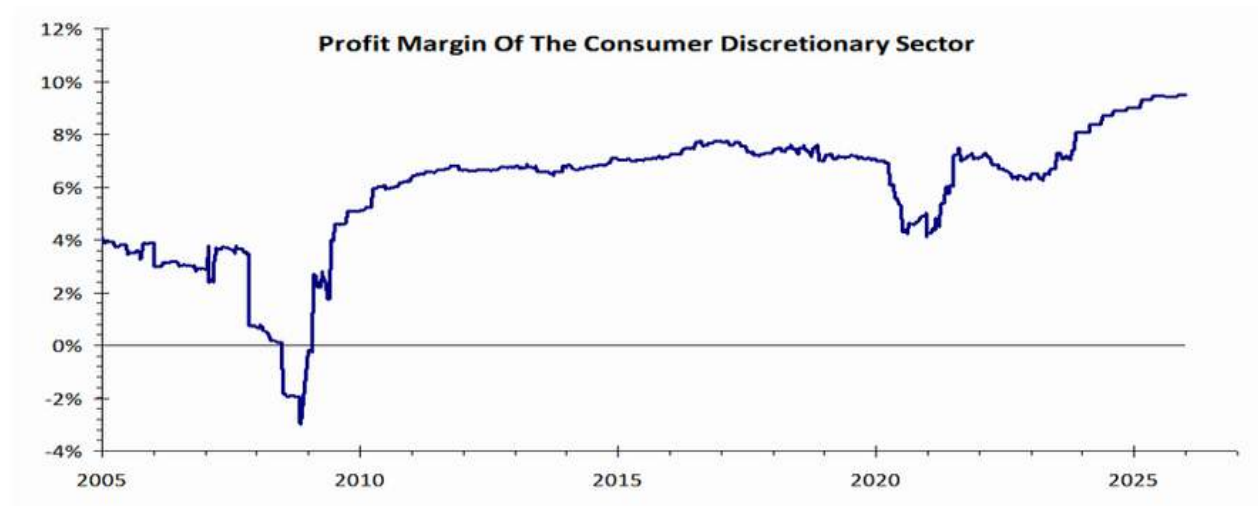
SPDR Consumer Discretionary ETF (XLY) (Top) With Relative To S&P 500 (Bottom)



Source: Stockcharts.com, Annotations Sanctuary Wealth, January 11, 2026



Profit Margins Are Growing For Consumer Discretionary Stocks



Source: Bloomberg, Sanctuary Wealth, January 6, 2026

Consumer Staples

Consumer Staples are defensive stocks, but we are in a growth stock market. Estimated earnings growth for Consumer Staples compared to the rest of the market is poor. As a result, the sector has underperformed and we expect this to continue. Staple stocks generally do well during recessions.

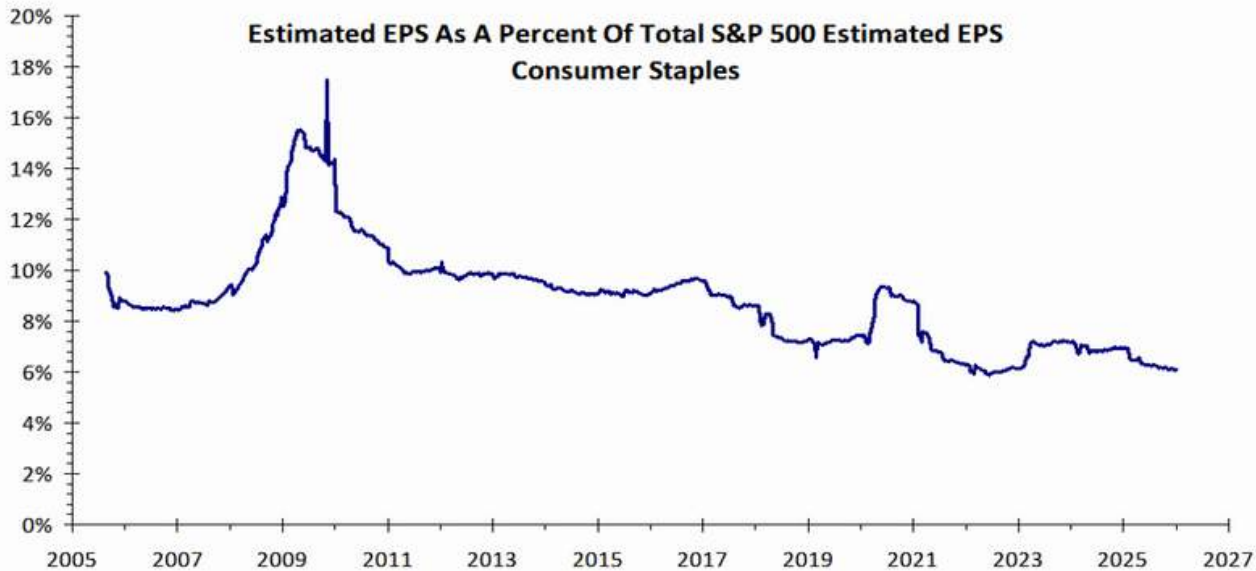
SPDR Consumer Staples ETF (XLP) (Top) With Relative To S&P 500 (Bottom)



Source: Stockcharts.com, Annotations Sanctuary Wealth, January 11, 2026



Consumer Staples Estimated Earnings Are Declining Relative To The Market



Source: Bloomberg, Sanctuary Wealth, January 6, 2026

Energy

The start of the year has brought notable activity across commodity markets, and a sustained firming in oil prices would likely be supportive of Energy stocks. The S&P 500 Energy sector is challenging important resistance. A breakout would point to Energy stocks joining the bull market rally.

SPDR Energy ETF (XLE) (Top) With Relative To S&P 500 (Bottom)



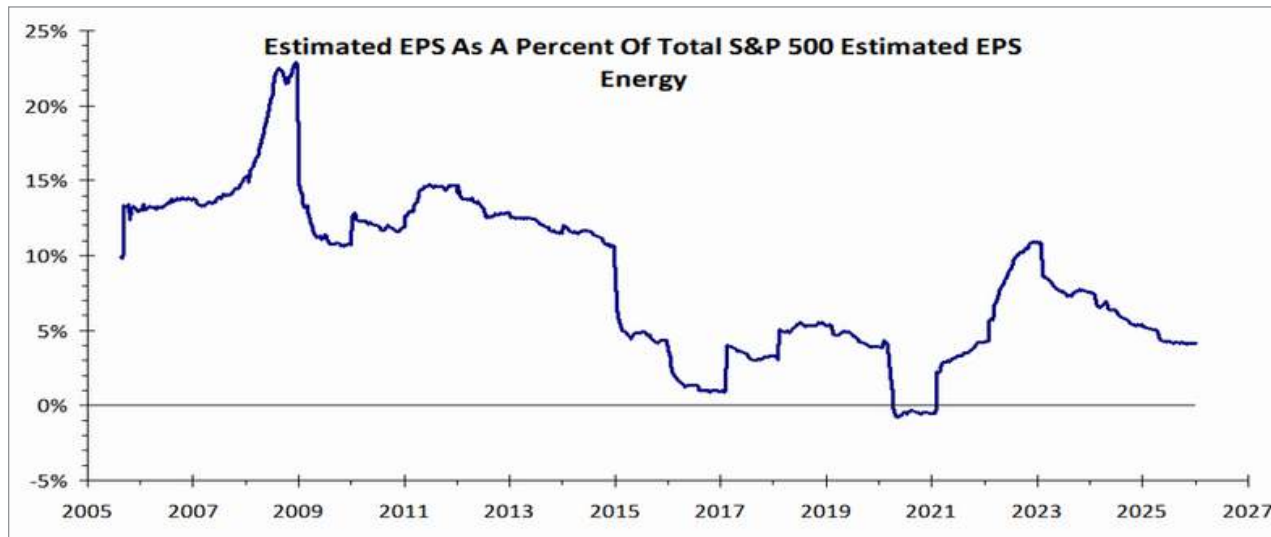
Source: Stockcharts.com, Annotations Sanctuary Wealth, January 11, 2026



Market Expectations for Energy Earnings Remain Low

Wall Street analysts currently project earnings growth for Energy companies to trail that of the broader market. However, any sustained firming in oil prices, particularly amid escalating tensions in Iran, is having a positive impact on the stocks. While we have remained underweight the sector, we have recently moved closer to benchmark positioning. The sector remains attractive based on valuations and yield.

Estimated Earnings For Energy Are Declining



Source: Bloomberg, Sanctuary Wealth, January 6, 2026



Financials

Financial stocks should continue to advance, in our view. A steepening yield curve offers improved profits from lending, and changing operating practices that employ new technologies offer opportunities for new business lines with lower costs. The prospect of substantial fees from initial public offerings (IPOs) is also quite good, in our opinion. Banks have been favored.

SPDR Financials ETF (XLF) (Top) With Relative To S&P 500 (Bottom)



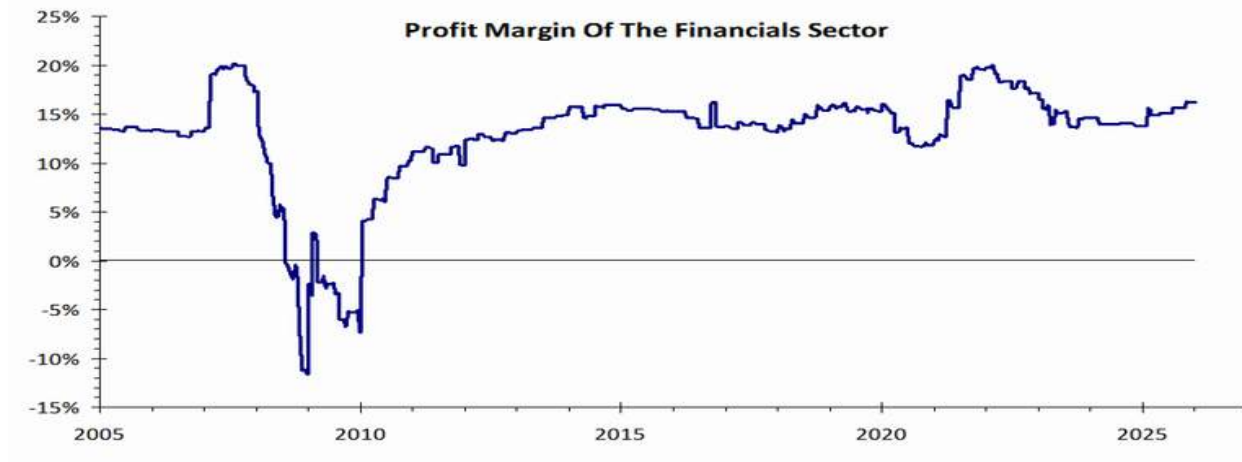
Source: Stockcharts.com, Annotations Sanctuary Wealth, January 11, 2026



Profit Margins Are Modestly Improving

Earnings are outpacing expenses in Financials. Lower costs from new technologies, including artificial intelligence (AI) applications that reduce labor costs and improve trading and deal execution, as well as the steeper yield curve, all work to widen margins.

Profit Margins For Financials Are Trending Up



Source: Bloomberg, Sanctuary Wealth, January 6, 2026

We Remain Cautious On Healthcare

Healthcare stocks underperformed quite badly during the last summer but have since rebounded from extreme oversold readings. Still, a more stringent regulatory regime and government pressure on drug pricing constrains pharmaceutical firms, which represent more than one-third of the sector's capitalization. The growth area of Biotechnology is the favored group in the sector.

SPDR Healthcare ETF (XLV) (Top) With Relative To S&P 500 (Bottom)



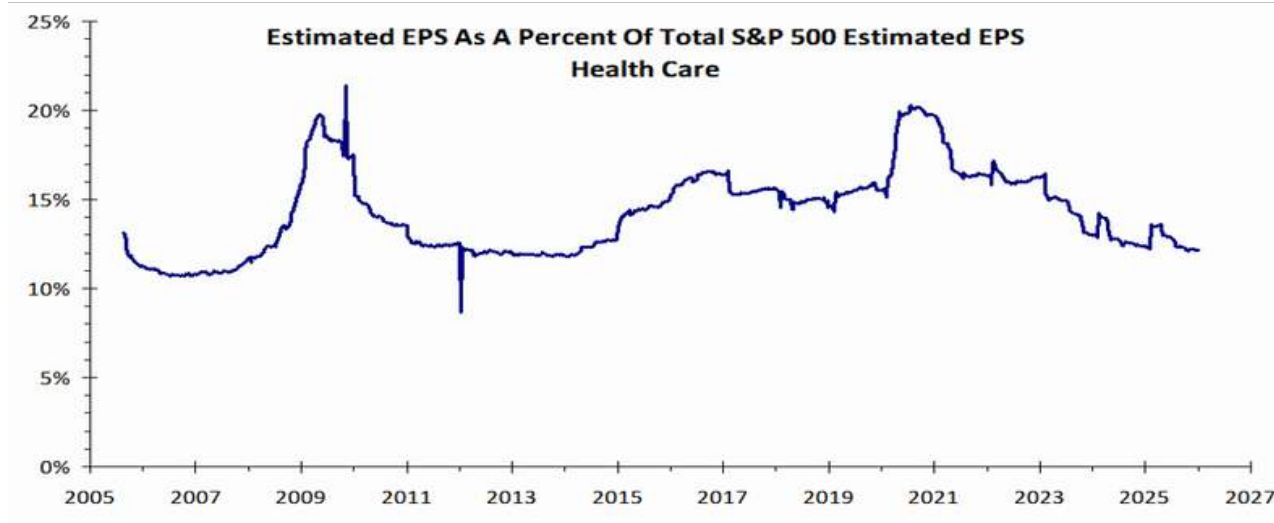
Source: Stockcharts.com, Annotations Sanctuary Wealth, January 11, 2026



Wall Street Expects Lackluster Healthcare Earnings

Analysts' estimates for earnings growth in this sector lag the rest of the market.

Estimated Earnings For Healthcare Stocks Are Declining Relative To The Market



Source: Bloomberg, Sanctuary Wealth, January 6, 2026

Industry Focus: Biotechnology

Biotech stocks offer a compelling investment opportunity in 2026 due to their established pipelines, diversified revenue streams from blockbuster drugs, and resilience amid ongoing innovation in areas like oncology, gene therapy, rare diseases, and inflammation. This positions the sector to benefit from continued momentum, potential M&A activity, and favorable lower interest rates that ease R&D funding.

iShares Nasdaq Biotechnology ETF (IBB) (Top) With Relative To S&P 500 (Bottom)



Source: Stockcharts.com, Annotations Sanctuary Wealth, January 11, 2026



Industrials

Industrials was one of the better performing sectors in 2025. Aerospace & Defense, Construction & Engineering, and Electrical Equipment are all Capital Goods stocks, and these have led the sector. This trend is being driven by increased military spending, heavy construction tied to corporate reshoring, and new investment in electricity generation. That said, the sector as a whole has not been a market leader; performance has been concentrated in select industry groups.

SPDR Industrials ETF (XLI) (Top) With Relative To S&P 500 (Bottom)



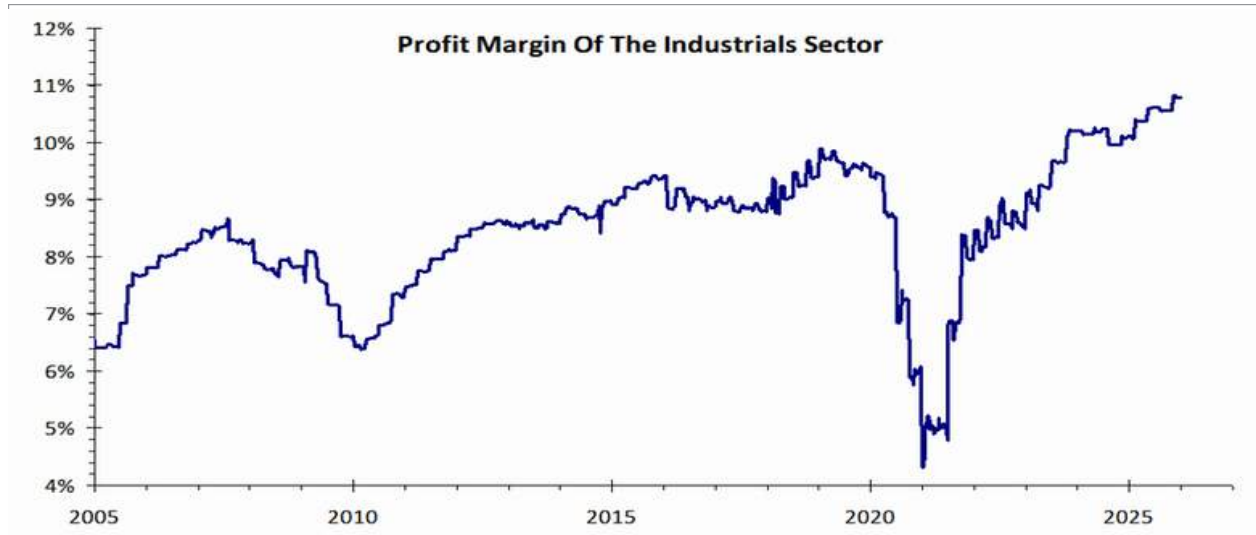
Source: Stockcharts.com, Annotations Sanctuary Wealth, January 11, 2026



Profit Margins for Industrials Are Improving

Following a deep decline earlier in the decade, profit margins for Industrials have risen sharply to their best levels in 20 years.

Profit Margins Are Rising For Industrial Stocks



Source: Bloomberg, Sanctuary Wealth, January 6, 2026

Information Technology

Information Technology stands to continue to be among market leaders, in our view. Semiconductors are in demand, while artificial intelligence (AI), robotics, Web 3.0, and blockchain technology are changing how society works in unprecedented ways. The sector is also producing high levels of return on equity, with many stocks reaching a 30% ROE.

SPDR Technology ETF (XLK) (Top) With Relative To S&P 500 (Bottom)

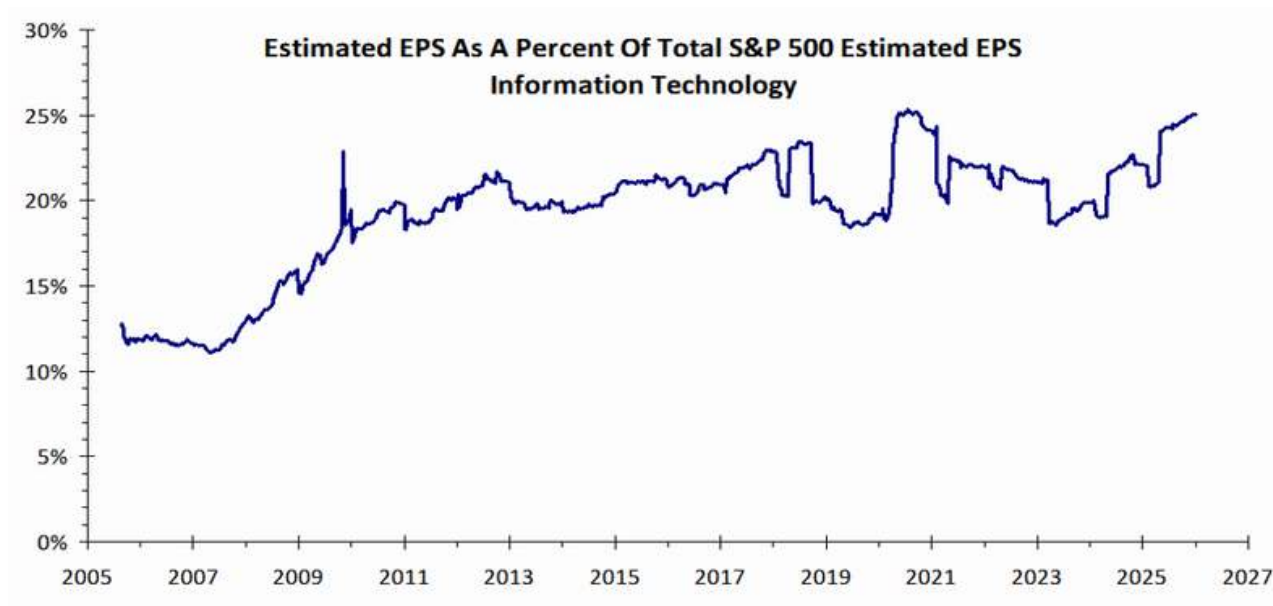




Earnings Are Rising Fast

This is a growth-driven market, and earnings growth is concentrated in technology-related firms. There was a drop in expected earnings growth relative to the rest of the market a few years ago, but analysts' expectations for better-than-average earnings have returned. With many now expecting strong earnings from the tech area of the market, the risk is rising that companies disappoint on earnings, resulting in market volatility.

Information Technology Estimated EPS Is Rising Faster Than The Broad Market

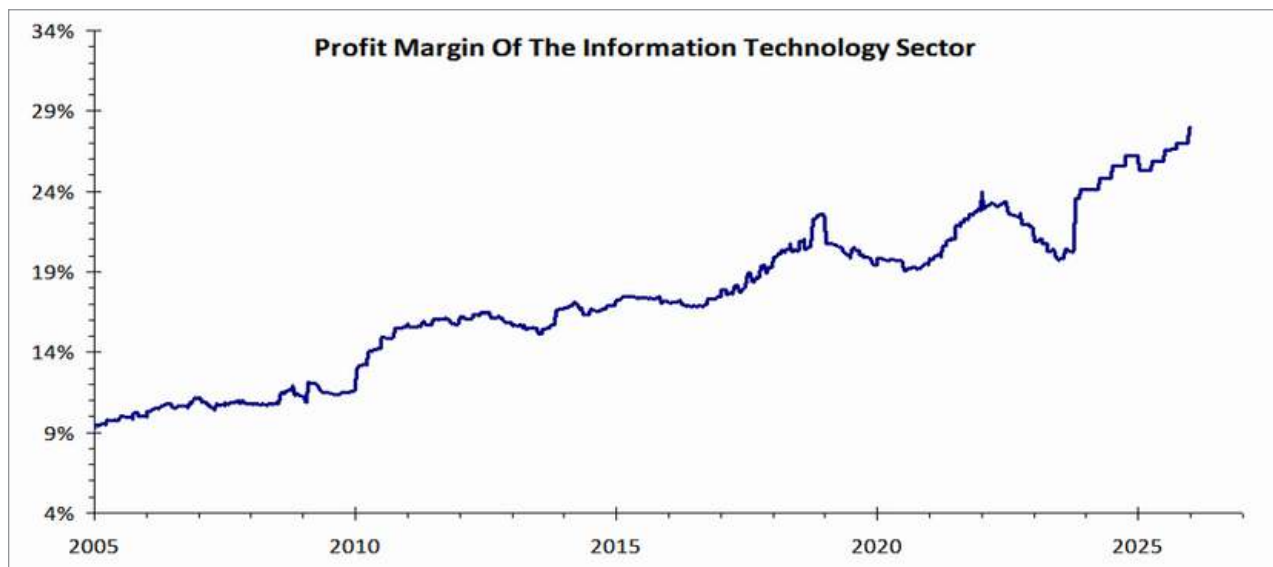


Source: Bloomberg, Sanctuary Wealth, January 6, 2026

Information Technology Enjoys Strong Profit Margins

Information Technology stocks have some of the strongest profit margins in the stock market today. We expect this to continue for some time, since these companies are developing new technologies that drive productivity like AI and robotics.

Profit Margins For Information Technology Are Rising At A Strong Pace



Source: Bloomberg, Sanctuary Wealth, January 6, 2026



Materials

Materials' relative price against the S&P 500 has been lagging for some years. Now, however, there are brighter prospects: Metals in particular are doing well. Gold Miners have performed due to the powerful rally in the yellow metal, particularly the smaller, more levered mining stocks. Meanwhile the shine on Silver has been brilliant: Silver was the best-performing asset in 2025. Copper and copper stocks have also been strong. The U.S. government is investing in companies that produce rare earths and even copper. *We believe the Metal stocks are in a new secular bull market.*

SPDR Materials ETF (XLB) (Top) With Relative To S&P 500 (Bottom)



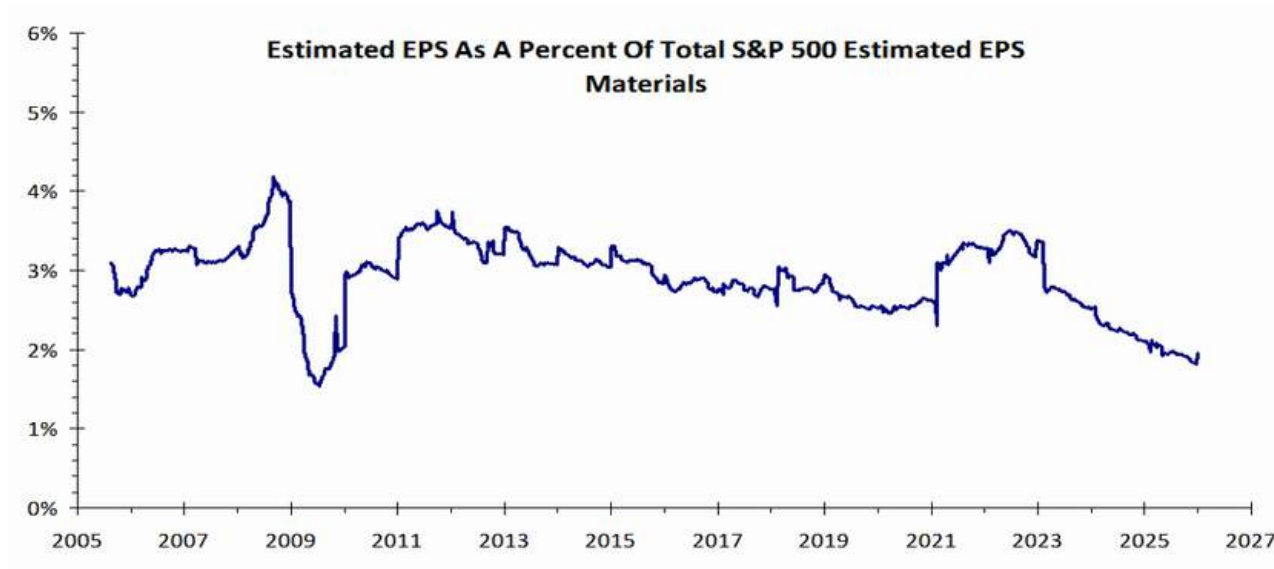
Source: Stockcharts.com, Annotations Sanctuary Wealth, January 11, 2026



Earnings Outlooks For Materials Are Not Positive

Sofar, analysts remain cautious on earnings expectations for the Materials sector and expect earnings will lag the broader market. We believe that may change in coming quarters.

Estimate Earnings For Materials Are Declining Relative To The Rest Of The Market

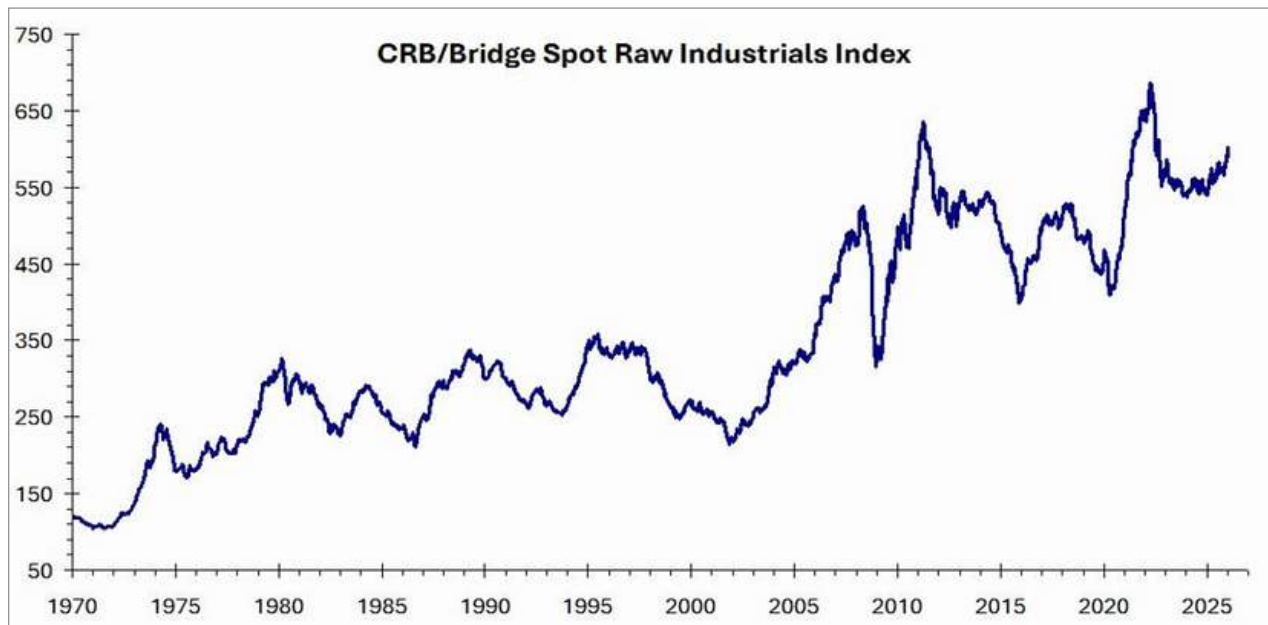


Source: Bloomberg, Sanctuary Wealth, January 6, 2026

Raw Industrials Prices Are Rising

“Raw industrials” is a definition made by the Commodities Research Bureau (CRB) that consists of burlap, copper scrap, cotton, hides, lead scrap, print cloth, rosin, rubber, steel scrap, tallow, tin, wool tops, and zinc. Acceleration in this index tracked by the CRB often presages improvement in the relative price of the Materials sector.

When CRB Raw Industrials Index Rises, Materials Sector Often Performs Well



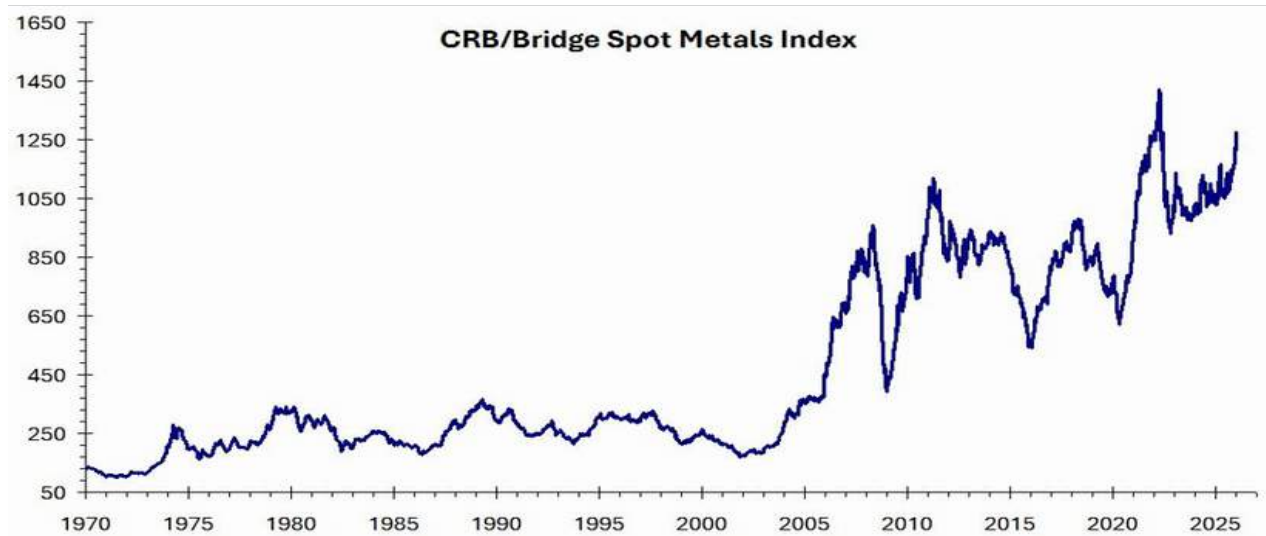
Source: Commodity Research Bureau, Bloomberg, January 12, 2026



Industry Focus: Metals

The strength in Materials has been mostly in metals stocks. The CRB Metals index is rising quite quickly. Precious metals, not included in the traditional CRB Metals index, led the charge, leaving industrial metals to play catch-up, which they are doing now. We believe this is likely to continue.

CRB Metals Index Is Rising Rapidly



Source: Commodity Research Bureau, Bloomberg, January 12, 2026

Copper Stocks Have Broken Out

Copper stocks are rising rapidly, with strong industrial demand, especially in the U.S. because of data center build-outs and power transmission and production demand.

Global X Copper Miners ETF (COPX) (Top) With Relative To S&P 500 (Bottom)



Source: Stockcharts.com, Annotations Sanctuary Wealth, January 11, 2026



Silver Has Broken Out Spectacularly

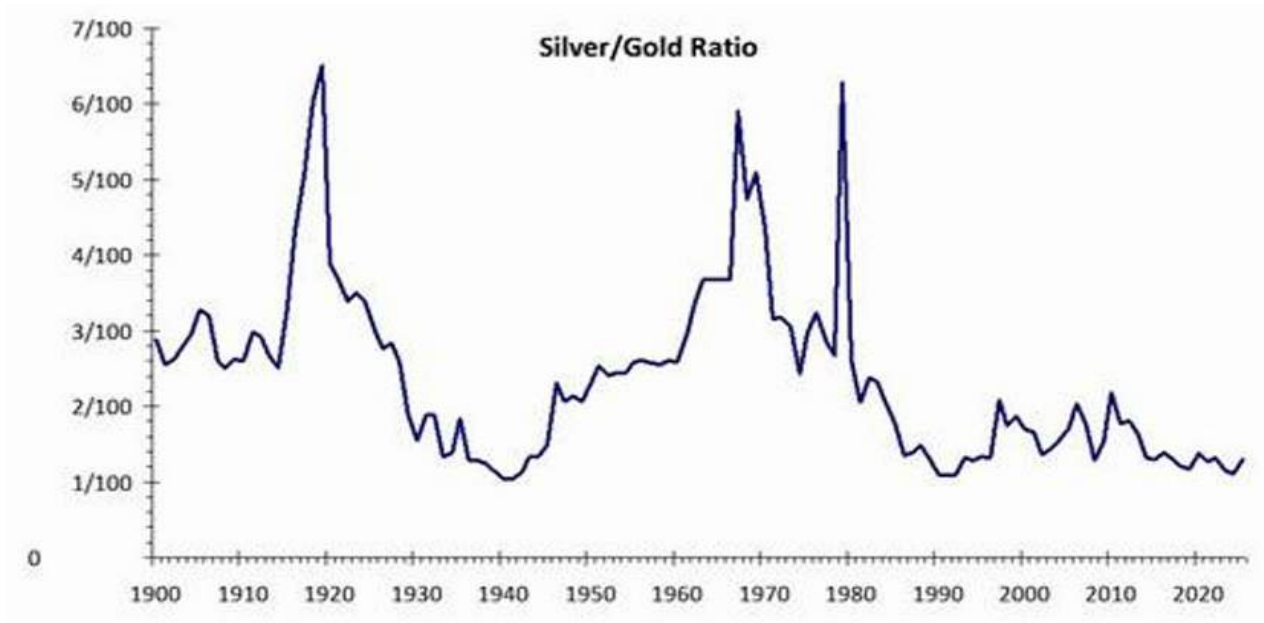
Our target for Silver had been \$80-\$100 and the metal has reached the \$80s. We have raised our long-term target for Silver to \$200 and, with this target in mind, we remain buyers of the metal. The Silver/Gold ratio also favors Silver over Gold.



Source: Bloomberg, Annotations By Sanctuary Wealth, January 9, 2026



Silver/Gold Ratio Favors Silver Over Gold



Source: Bloomberg, Sanctuary Wealth, January 9, 2026

Silver Miners Are Rising on Stronger Silver Price

Silver is not only a precious metal but also a critically important industrial metal. Of all metals, it is the best electrical conductor, and as a result, it is important in electronics manufacturing. In addition, Silver is the “poor man’s gold,” usually rising after gold prices rise.

Global X Silver Miners ETF (SIL) (Top) With Relative To S&P 500 (Bottom)



Source: Stockcharts.com, Annotations Sanctuary Wealth, January 11, 2026

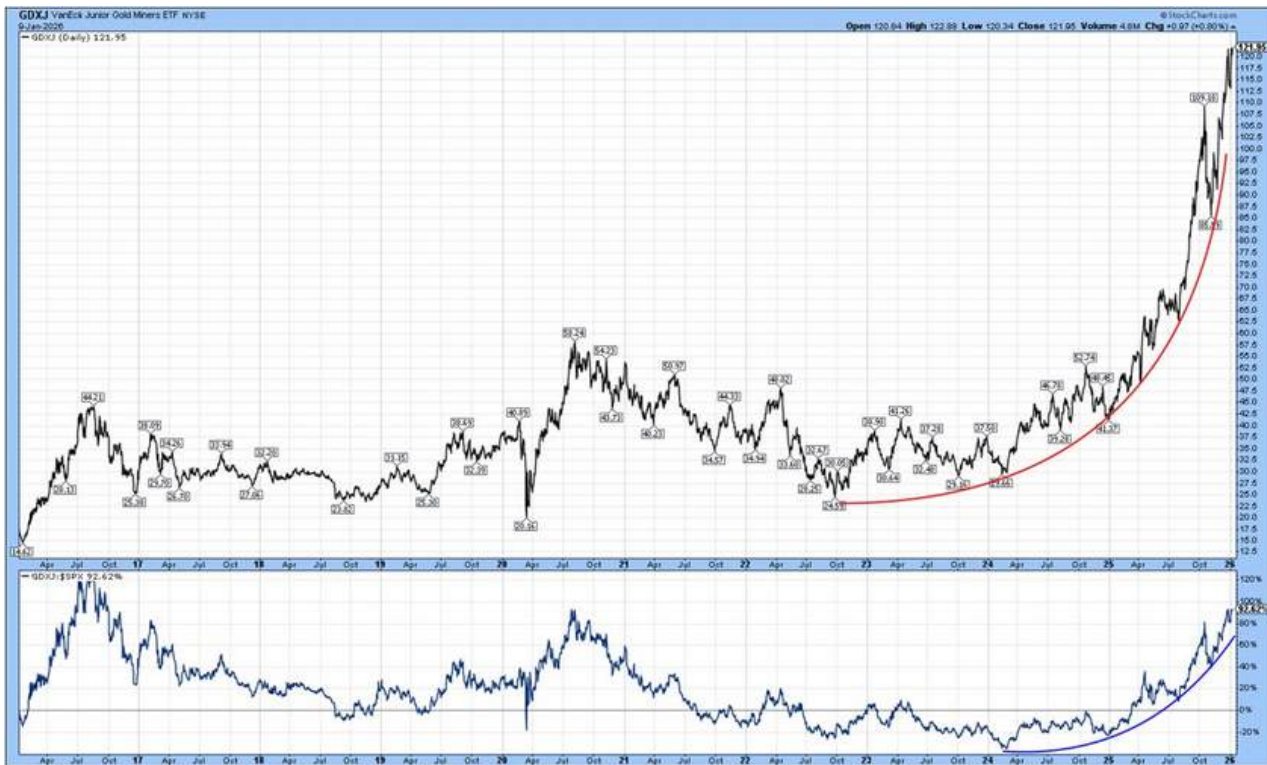


Smaller Gold Miners Offer Greater Leverage to Rising Gold Prices

Gold prices are rising in large part because central banks are once more purchasing gold to secure their currencies. Every currency in the world has collapsed in terms of gold over the past 54 years. Investors have been buying gold for several years. Global supply is limited, known reserves must be extracted at considerable expense, and gold cannot be easily counterfeited.

Smaller gold miners have less room to hedge their production and normally operate on thinner margins than the larger mining firms. As a result, they experience larger expansions in profitability when gold prices rise. These stocks are moving quickly with gold.

VanEck Junior Gold Miners ETF (GDXJ) (Top) With Relative To S&P 500 (Bottom)



Source: Stockcharts.com, Annotations Sanctuary Wealth, January 11, 2026



Communication Services

Eight years ago, Standard & Poor's changed its Telecom sector by adding companies like Alphabet (Google), Meta (Facebook) and Netflix and renamed it Communication Services. These companies have powered the sector with many of the same drivers lifting Information Technology. These two sectors together have led the market for nearly 7 months.

SPDR Communication Services ETF (XLC) (Top) With Relative To S&P 500 (Bottom)



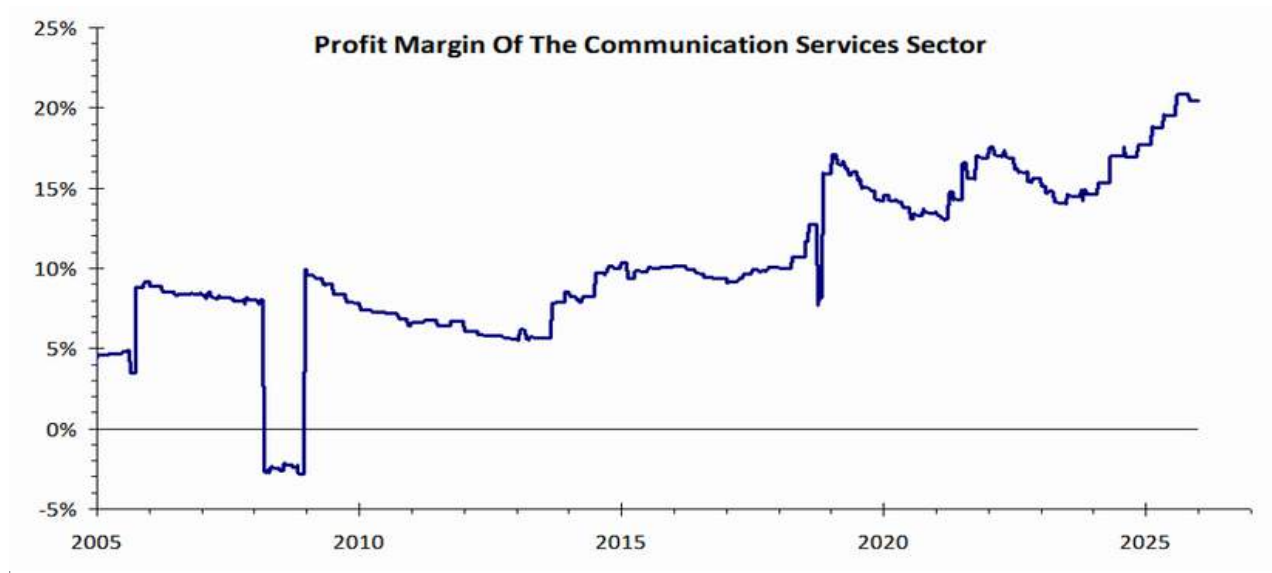
Source: Stockcharts.com, Annotations Sanctuary Wealth, January 11, 2026



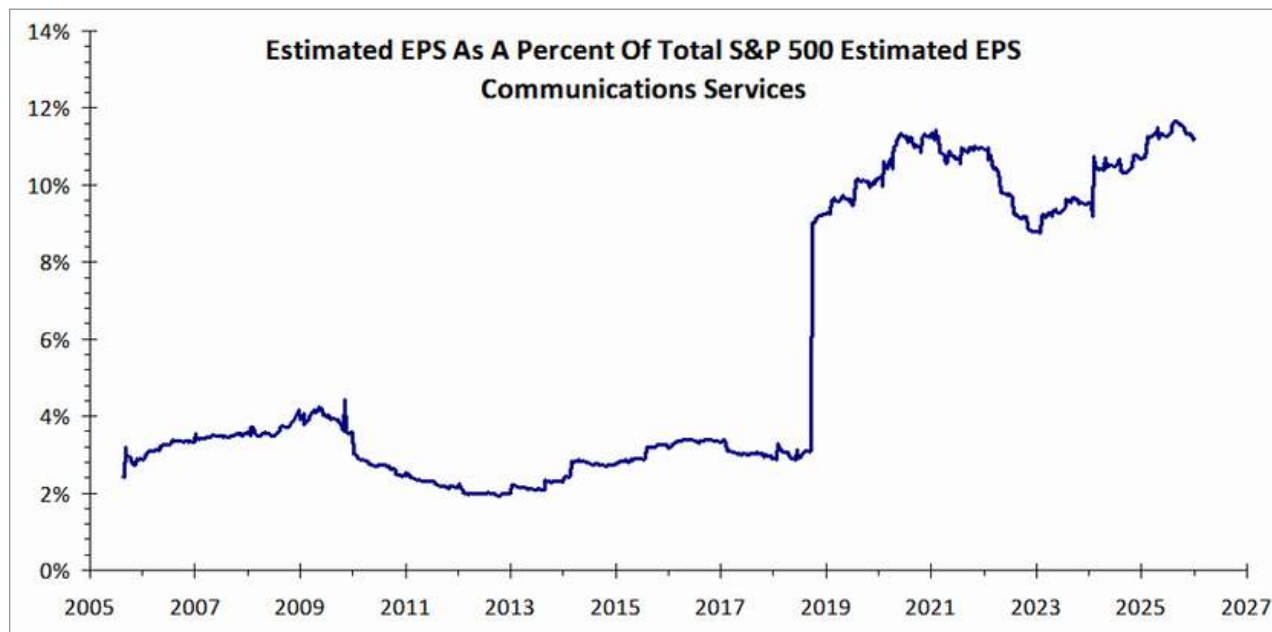
Strong Revenue Growth Has Lifted Profit Margins For Communication Services

Revenue growth has been strong at Alphabet (GOOGL) and Meta Platforms (META), as well as among streaming-focused companies such as Netflix (NFLX). Similar to Consumer Discretionary stocks, streaming services tend to benefit when consumers have discretionary income to spend, supporting demand across these platforms.

Profit Margins Are Accelerating For Communication Services Stocks



Source: Bloomberg, Sanctuary Wealth, January 6, 2026



Source: Bloomberg, Sanctuary Wealth, January 6, 2026



Real Estate

Real Estate has lagged with rising interest rates over the past few years and has underperformed the S&P 500. Real Estate Investment Trusts are particularly sensitive to interest rates. Concerns remain over the commercial real estate market. Perhaps if long-term rates decline (rates have been stubbornly high), prospects for the sector will improve. But for now, we believe Real Estate is likely to continue to remain one of the weaker sectors.

SPDR Real Estate ETF (XLRE) (Top) With Relative To S&P 500 (Bottom)



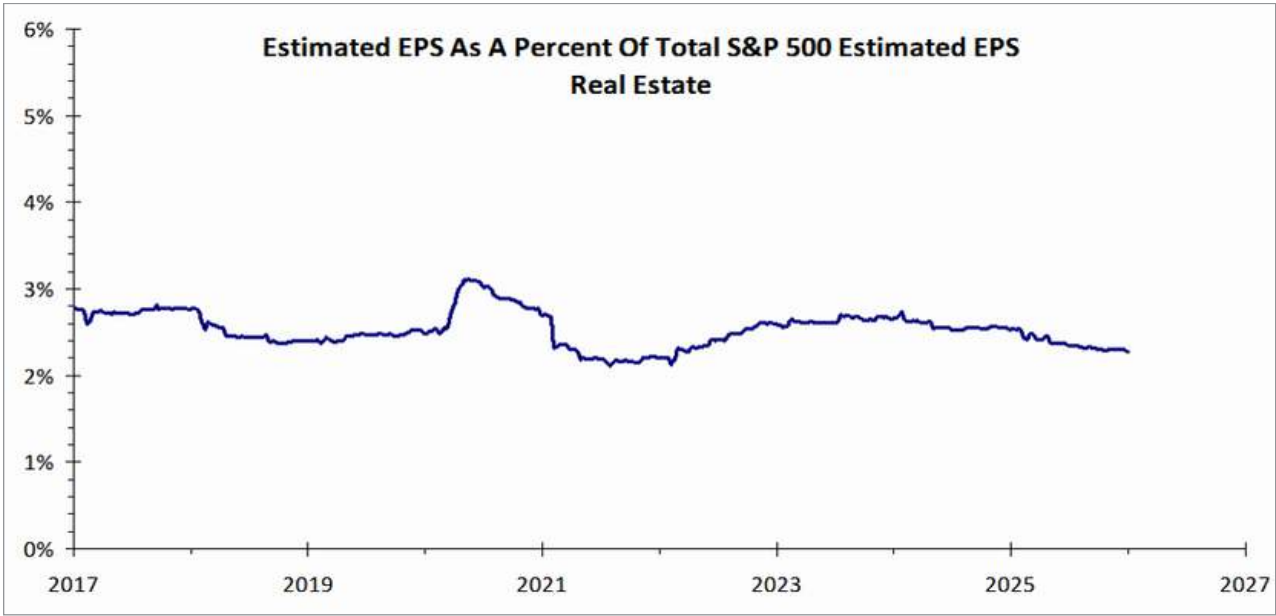
Source: Stockcharts.com, Annotations Sanctuary Wealth, January 11, 2026



Analysts Are Not Excited About Prospects For Earnings Growth In Real Estate

Expectations for earnings in the Real Estate sector are not rosy. Besides interest expenses, commercial real estate is suffering from historically high vacancies and even late payments to creditors. Commercial real estate accounts for about 75% of the sector's capitalization.

Real Estate Estimated Earnings Are Declining Compared To The Broad Market



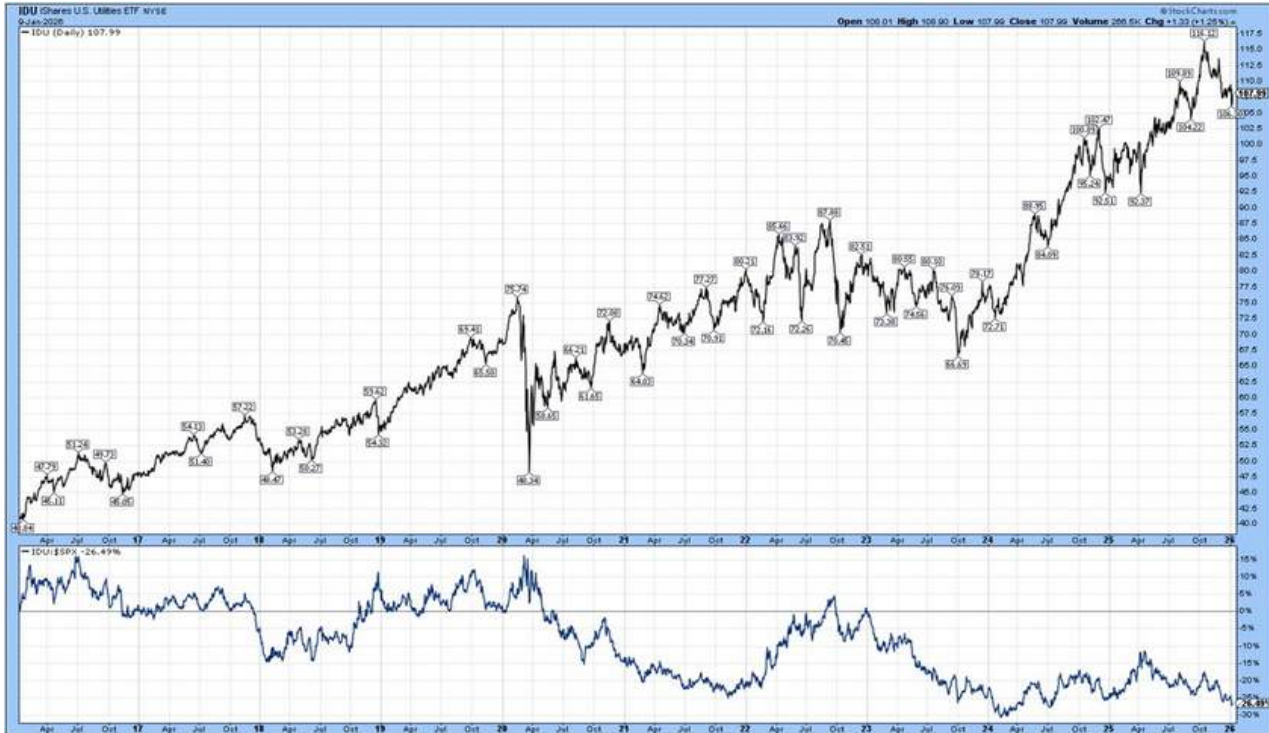
Source: Bloomberg, Sanctuary Wealth, January 6, 2026



Utilities

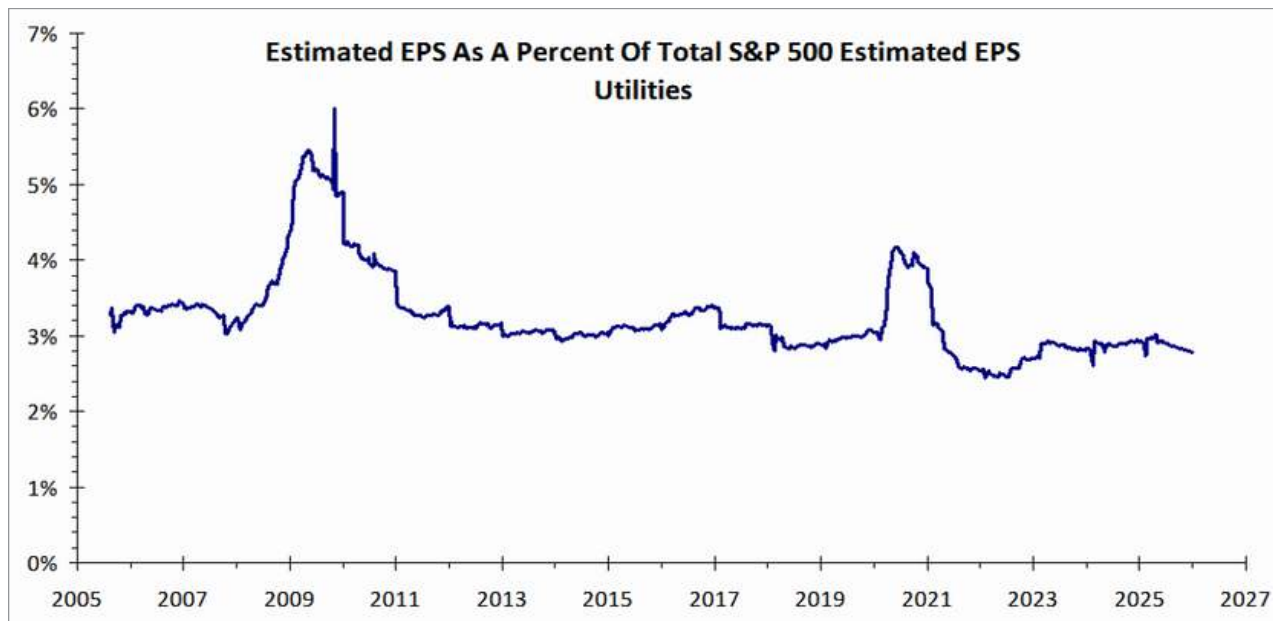
We are neutral on Utilities and believe the sector provides income and growth with demand for electricity rising and interest moving back to nuclear energy to support data centers. But the sector is quite capital intensive and is therefore sensitive to interest rates and lower rates support the sector.

iShares Utilities (IDU) (Top) With Relative To S&P 500 (Bottom)



Source: Stockcharts.com, Annotations Sanctuary Wealth, January 11, 2026

Profit Margins Are Rising For Utilities



Source: Bloomberg, Sanctuary Wealth, January 6, 2026



Mid Cap Stocks

Between the large cap S&P 500 stocks and the small cap stocks, there are the mid cap stocks. Right now, S&P Dow Jones Indices defines mid-cap stocks as between \$8.0 billion to \$22.7 billion in market capitalization, which is approximately the 85th to 93rd percentile in capitalization among all tradable U.S. equities.

These stocks are challenging a long-term underperformance against the large cap S&P 500 issues. If they break out, it would signal a broadening out in market cap performance.

SPDR S&P MidCap 400 ETF Trust (MDY) Vs. SPDR S&P 500 ETF Trust (SPT) (Top) With Moving Average Convergence Divergence (Bottom)



Source: Stockcharts.com, Annotations Sanctuary Wealth, January 12, 2026



International Equity Markets Are In A New Secular Bull Market

Not only is the U.S. equity market in a secular bull market, but the international equity market has joined and has also entered a secular bull market. We believe this cycle can last up to 10 to 15 years. We believe this an opportunity to diversify investment portfolios with exposure to non U.S. equity markets. The MSCI EAFE index has broken out from a 17-year trading range, supporting this secular bull trend. Recall that the U.S. equity market moved into a new secular bull market in 2013 when the S&P 500 was trading at 1600. Today the index is trading at 6950 or over a 340% gain.

iShares MSCI EAFE Index In New Secular Bull Market



Source: Bloomberg, Annotations By Sanctuary Wealth, January 9, 2026

Japanese Topix Index In New Secular Bull Market



Source: Bloomberg, Annotations By Sanctuary Wealth, January 12, 2026

Last Words

The S&P 500 remains in a secular bull market powered by strong economic growth, consumer resilience, and transformative technologies such as AI, Blockchain, Web 3.0, VR, and Robotics. Corporate earnings continue to rise, profit margins are strong, returns on equity support valuations, and there is over \$7.8 trillion in money funds on the sidelines. We believe that the S&P 500 can reach 7500 by year-end and 12,000–13,000 by the end of the decade.

The major new investment opportunity is being able to diversify into the international equity markets that have entered new secular bull markets. Within the U.S., the metal stocks have moved into a new secular bull market and also should offer diversification to a portfolio.

The 2-year Treasury yield could push up toward 3.6%, while the key level to watch for the 10-year yield is 4.2%. A break above this level could see rates rise up toward 4.4%–4.6%. Even if rates do rise, we believe the overall trend remains down. While

mid-term election years are normally lackluster for U.S. equities, conditions still exist for a stronger than normal return. We expect volatility this year, so investors need to remain fearless and a diversified portfolio should help reduce volatility in a portfolio.

Risks To Our Outlook

- Sustained inflationary pressures that lift 10-year Treasury yields above 5.0%.
- Destabilization in international trade from unexpected tariff escalation that interrupts market momentum.
- A significant rise in unemployment.
- A slowdown in consumer spending or corporate earnings. No such slowdown appears in current data.

Corrections are viewed as opportunities, not major reversals. Patient investors could find value in this dynamic bull market.

Mary Ann Bartels

Chief Investment Strategist

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