

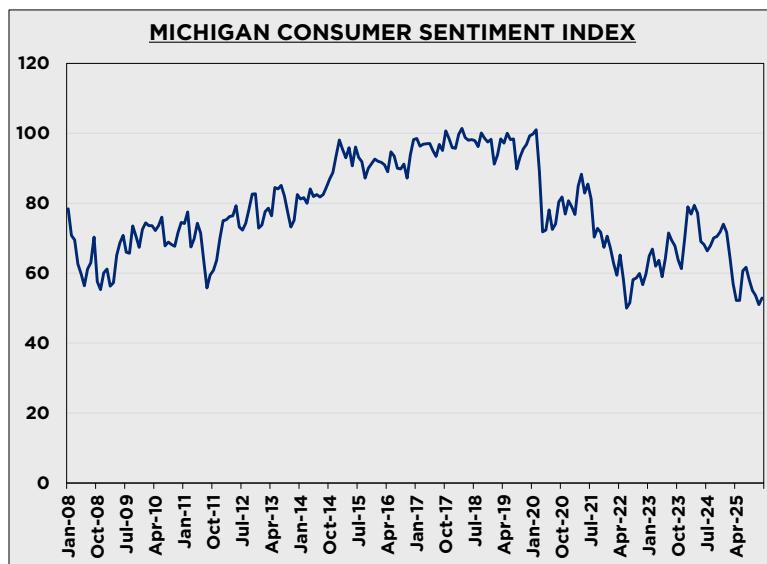
Market update

February 3, 2026

Stock and bond markets both experienced rugged rides in January. The end result was market gains for most sectors. Gains were more modest in the bond market as U.S. Treasury bond yields rose modestly, leaving any positive return to credit spreads. Among stock sectors, foreign stock returns far outpaced U.S. stock returns. With the exception of the last trading day of the month, gold and silver prices pushed sharply higher. The one-day sell-off was as dramatic as the cumulative gains of the prior 20 days. As often is the case with precious metal price movements, little informational content of value is to be found in fundamental analysis while much is to be gained in technical analysis.

| | JANUARY | TWELVE MONTHS |
|----------------------|---------|---------------|
| • U.S. Taxable Bonds | +0.1% | +6.8% |
| • U.S. Stocks | +1.6% | +15.4% |
| • Foreign Stocks | +6.0% | +35.6% |

Much attention was focused in and around the Federal Reserve last month. At its meeting on January 28, the Open Market Committee voted against raising its target policy rate. While generally expected, further rate cuts are expected over the balance of 2026. In its published minutes, *"the Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty about the economic outlook remains elevated. The Committee is attentive to the risks to both sides of its dual mandate."* Decision making will be unfolding against a political landscape that includes mid-term elections and their important consequences.



Are we really no better off since the 2008 financial crisis as the chart here of consumer sentiment indicates? Almost any measure of stock market performance would suggest we are much better off. Of course, the sentiment index is not intended to be an indicator of financial asset performance per se, and not everyone owns stocks. But a somewhat closer relationship would seem reasonable. Perhaps this variance is reflective of a general gap between perception and reality that is afoot and possibly even growing. For financial markets, relationships were called into question during the extended federal government shutdown when important economic measures were not available. And here we are again with another shutdown lurking and some economic measures already delayed. At some point, will perception become reality?