ARGUS Wealth Management

Macro & Market Outlook

as at December 31, 2025

Central Banks

(unchanged*)

- The Federal Reserve ("US Fed") lowered its benchmark interest rate by 0.25 percentage points on December 10th, marking the third consecutive rate cut to support the labour market and economic growth. This reduced the federal funds rate range to 3.5% - 3.75%.
- It is not expected for the Fed to cut rates in January, but rate cuts are still expected to continue through 2026. Stronger than expected labour market data and lower inflation have increased expectations for a pause in rate cuts.
- The European Central Bank is not expected to have any rate cuts in 2026 as its inflation print is already around the 2% target, while the Bank of England is expected to have rate cuts in 2026 as inflation remains elevated at 3.4%.

Liquidity & Credit

(unchanged*)

- Investors have been storing dry powder in money market funds, with record highs reached at the end of December 2025, when assets briefly surpassed $7.8 trillion.[1] These elevated balances allow investors to deploy capital during a market pullback when liquidity is lower.
- CreditSights' preliminary 2026 outlook reports that credit spreads across both investment-grade (IG) and high-yield (HY) markets are at historically tight levels, driven by resilient technical conditions and strong year-to-date performance in 2025. This tightness signals robust demand for credit but also suggests limited room for further compression.
- We continued to monitor the credit market following the auto-related defaults in Q3. These events did not appear to have any large systemic effects, and issues remained isolated to the affected companies' debt holdings.
- According to S&P, their Global Credit Cycle indicator has continued its decline from last quarter across most regions. The downward movement is driven by geopolitical uncertainty and tail-risk events.[2]

Economics

(unchanged*)

- The global economy proved to be resilient through 2025 but underlying weaknesses continue to emerge. Supportive financial conditions, AI related investments and trade have been key strengths in 2025.[3]
- According to the OECD, growth is expected to remain positive through the next few years but at a slower rate with US annual real GDP growth falling from an estimated 2.2% in 2025 to 1.7% in 2026. The Euro area is expected to have a more modest real growth rate of slightly greater than 1% in the next few years, while headline inflation is expected to decline in 2026 and 2027 towards central bank targets.[4]
- The threat and implementation of tariffs have continued to be a negative on global financial markets as countries and corporations struggle to make long term plans when the world's largest economy can change the agreement at any time.

Legend:

NEG. NEUTRAL POS.

*Change from the previous 12-month outlook.

[1] https://www.ici.org/research/stats/mmf#:~:text=Washington%2C%20DC;%20January%2015%2C,funds%20decreased%20by%20$4.13%20billion
[2] https://www.spglobal.com/ratings/en/regulatory/article/credit-cycle-indicator-q1-2026-tail-risks-would-compound-a-credit-correction-s101662671
[3] https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2025-issue-2_9f653ca1-en.html
[4] https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2025-issue-2_9f653ca1-en.html

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Valuations

(unchanged*)

- Overall valuations have stayed relatively steady since last quarter. The US equity market remain on the higher end of their historical range. For reference, the S&P 500's price-to-earnings (P/E) ratio is currently at 26. In comparison, the P/E ratio for the S&P 500 Equal Weight Index Fund is at 19, which falls within its 10-year range of 15 to 25.
- S&P 500 valuations have continued to stretch, and future market returns are highly dependent on the bull-case scenario for AI-driven growth.
- International stocks (MSCI EAFE) continued to offer an attractive valuation (P/E at 17) for investors compared to domestic US Equity. P/E contraction is expected for both EAFE & US Equity in the next few years due to lower expected future growth.

Sentiment

(unchanged*)

- The University of Michigan's Consumer Sentiment Index, which tracks US consumer sentiment, stood at 54 in January 2026. Consumer sentiment remains below long-term average but above the 2025 lows.[5]
- The January 14th, 2026, American Association of Individual Investors Sentiment Survey showed a bullish split of 49.5% bullish, 28.2% bearish and 22.3% neutral.[6]
- CEO confidence in revenue outlook hits five-year low. Only 30% of CEOs are confident about revenue growth in 2026 as most struggle to turn AI investment into tangible returns.[7]

Technical

(US Large Cap)[8]

(unchanged*)

- The S&P 500 Index is assessed as positive for the short-, medium- & long-term horizons.
- S&P 500 signals increasing optimism among investors and indicates continued rise. The index has marginally broken through resistance at points 6900. An established break predicts a further rise.

Overall

(unchanged**)

Conclusion: Our overall assessment remains neutral, reflecting a balanced mix of supportive and cautionary indicators across global markets. Central banks continue to guide economies through a transitioning rate environment, while liquidity conditions remain strong despite ongoing credit-market vigilance. Economic growth is slowing but still positive, valuations are stable though elevated in some regions, and sentiment signals modest improvement from 2025 levels. With technical trends pointing to continued strength yet offset by geopolitical and policy uncertainties, we maintain a neutral positioning while monitoring key developments closely.

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[5] https://tradingeconomics.com/united-states/consumer-confidence [6] https://www.aaii.com/sentimentsurvey
[7] https://rgb-prod-public-pdfs.s3.us-east-2.amazonaws.com/J0g_LksYX8cDGBTRRgUdxkQd-AE.pdf
[8] https://www.investtech.com/main/market.php?CompanyID=99200005&product=4

* Change from the previous 12-month outlook.
** The weights to calculate the Overall rating are determined by Argus Wealth at its discretion.

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