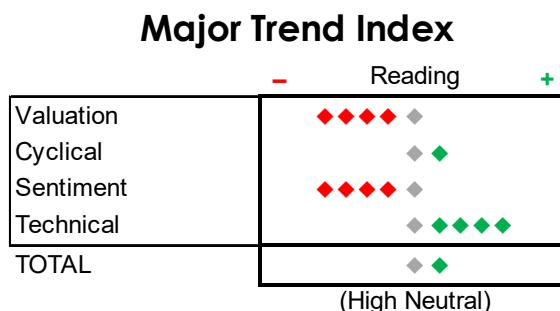


Report Date: January 20, 2026
Data for Week Ending: January 16, 2026



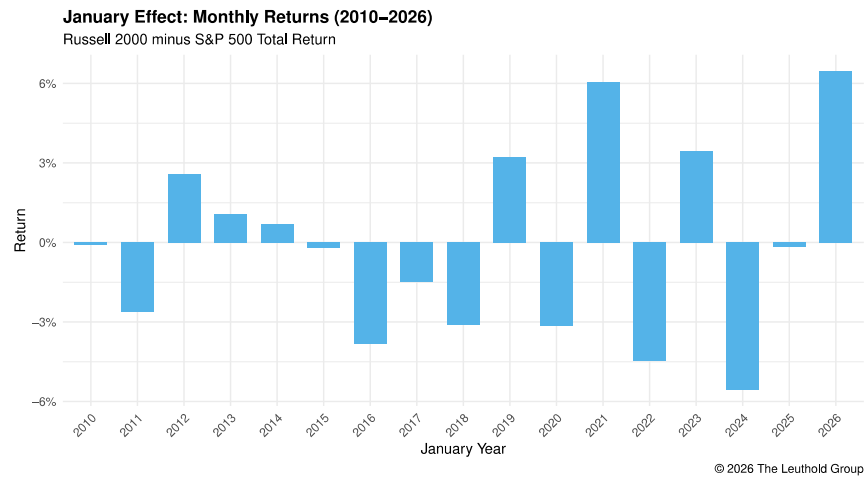
The Major Trend Index stayed at High Neutral for the week ending January 16th. The constant drum of new highs and a broadening market has pushed our Technical work to the brink of another upgrade. Inside the scope of the MTI, the new year is off to a terrific start. However, if we tracked Cyclical components called “Threats to Central Bank Independence” or “Status of Intergovernmental Military Alliances,” both would be decidedly negative after the first few weeks of 2026. Net equity exposure in Leuthold tactical accounts continues to rise with the market and now stands at 57-58%.

Mega cap banks highlighted the first of the Q4 earnings reports last week. In general, those announcements were not well received by the market. Expectations coming into the week seemed fairly high, though, with the KBW Bank Index posting a max positive score in our Technical Category—up 17% over the previous seven weeks. The season is still young and we still expect S&P 500 EPS estimates to trend higher (as they have the previous two quarters). Within our Cyclical work, the EPS estimate revisions line-item has been a notable area of strength for the past two years.

Overall, last Tuesday's CPI report for December was benign, with the Core reading cooler than expected. Our Inflation Scorecard, which has done an admirable job of predicting the twists and turns of the contemporary cycle, also slid further into disinflationary territory. On the other hand, food and beverage prices rose 0.7% month-over-month, the largest gain since October 2022. This category has been *the* pain point for the consumer and this administration. So, while our inflation-related components may continue to improve, we don't expect the same for the consumer sentiment measures.

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After missing a Santa Claus Rally (by a whisker) a few weeks ago, another calendar anomaly is firing on all cylinders. Through last Friday, the Russell 2000 had outperformed the S&P 500 in every trading session of 2026, leading to the largest “January Effect” (+6.5%) in recent history.



January’s small cap bounce is arguably the best known of all stock market anomalies. However, like most things in life, it ain’t what it used to be. The accompanying table tracks the January Effect by decade. Gone are the golden years when small cap managers could book a good **year’s** worth of outperformance in the first month. In more recent decades, small caps have tended to post the best relative returns in November and December as managers perhaps front-run what had previously occurred in January.

Small caps’ fall from favor in the last decade-and-a-half is illustrated in the table, with only nine of the 24 data points showing small cap outperformance. Still, playing the bookends of the year, November through February, has worked well during this rough stretch for the little guy.

January Effect By Decade:
Avg. Monthly Small Cap Excess Returns Vs. S&P 500, 1930-2026*
(Boxes highlight best month for Small Caps in each period)

	1930-39	1940-49	1950-59	1960-69	1970-79	1980-89	1990-99	2000-09	2010-19	2020s	All Periods 1930-Present
January	9.6	5.8	3.1	3.8	8.1	0.8	-0.2	0.9	-0.4	0.4	3.2
February	2.7	2.6	1.2	1.1	1.4	1.3	0.1	1.6	0.1	0.7	1.3
March	-2.6	1.3	-1.1	0.4	0.9	-0.2	0.0	-0.4	0.8	-4.1	-0.3
April	-1.2	0.8	-1.5	0.4	-1.3	0.5	-0.7	-0.1	-0.6	-1.9	-0.5
May	3.1	-0.8	-0.2	1.2	-1.3	0.7	0.2	0.2	-0.1	-0.2	0.3
June	1.9	1.7	-2.2	-0.3	-0.5	-0.5	-1.1	2.4	0.7	-0.3	0.2
July	1.1	0.2	-1.0	0.3	1.3	-1.0	-1.8	-1.1	-1.2	0.6	-0.3
August	-0.4	0.5	1.3	0.9	0.8	-0.9	0.4	0.7	-0.7	-0.4	0.3
September	2.1	0.1	-0.5	-0.3	1.3	-0.2	0.7	0.2	-0.1	-0.2	0.3
October	-0.6	0.7	-0.7	-1.2	-4.3	-1.9	-2.3	-0.9	-0.5	-0.1	-1.2
November	0.2	0.6	0.2	1.3	0.7	0.0	-0.4	-0.1	1.2	1.1	0.5
December	-3.3	-0.4	-0.6	0.3	0.3	-0.3	1.5	2.0	-0.1	0.5	0.0

Ibbotson Data 1930-77, Russell 2000 1978-Present
*2026 data through 1/16

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