

Report Date: January 27, 2026
Data for Week Ending: January 23, 2026

	-	Reading	+
Valuation	◆◆◆◆◆	◆◆◆◆◆	
Cyclical		◆◆◆◆◆	◆◆◆◆◆
Sentiment	◆◆◆◆◆	◆◆◆◆◆	
Technical		◆◆◆◆◆	◆◆◆◆◆
TOTAL		◆◆◆◆◆	◆◆◆◆◆

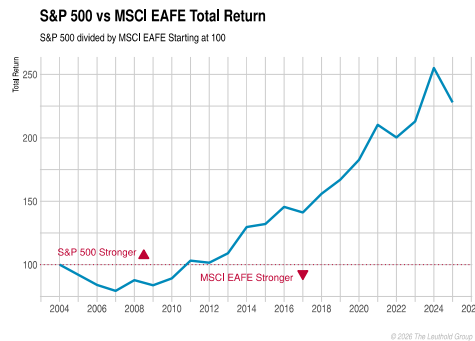
(High Neutral)

The idea of the “run-it-hot,” 1990s-style economy, where rapid economic growth doesn’t lead to massive price increases (thanks to AI), has been thrown around quite a bit recently. The Atlanta Fed’s GDPNow estimate for Q4-25 now sits at an impressive 5.4%. Non-farm productivity has also spiked in the previous two quarters, posting 4% and 5% growth. The Citi U.S. Economic Surprise Index has turned positive in the new year and sits near the top of its one-year range, while our Cyclical work sees inflation waning and a handful of economic tailwinds starting to blow. In all, the enthusiasm kind of makes sense. Still, we think we’re a long way from threading this Clinton-era economic needle—especially with anemic job growth.

FURTHER DISTRIBUTION OF INFORMATION CONTAINED IN THIS REPORT IS PROHIBITED WITHOUT PRIOR PERMISSION.

In Davos, world leaders expressed concern about the United States being a dependable ally, which seems reasonable. In turn, this has accelerated the U.S. assets' narrative of "Sell America" or "Quiet Quitting," in which foreign asset allocators realign portfolios to hold fewer U.S. equities, Treasuries, and dollars (of course, someone would have to buy those assets, as there are no orphan securities).

Should we join this punitive initiative for U.S. equities? After a brutal 15-20 years, maybe foreign equities are due for a big mean reversion in performance? For the U.S. investor, the MSCI EAFE index (+32%) is coming off of its best relative year versus the S&P 500 (+18%) since 1993—thanks, in part, to a 10% boost from the weakening USD. The casual observer might see a lot of runway left in that recent trend when examining the 20-year relative strength chart.



Nonetheless, we feel it necessary to remind all asset allocators that there are reasons why that performance gap exists. Namely, the growth in EPS between the S&P 500 and EAFE—which just passed its 2007 LTM EPS peak *last year*. Long-term outperformance between the two depends on earnings growth, or at least the prospect of it, and the U.S. has had that market cornered, especially since the pandemic. Until that dynamic changes, it's tough to dive headfirst into foreign equities.

