

ECONOMIC OUTLOOK

At the close of the first month of the year, the market's pivot into value has been noticeable. The S&P 500 Growth Index was down 0.50% in the first month, while the S&P 500 Value was up 2.36%. This is a shift from 2025, when the full year S&P 500 Growth Index was up 21.39% while the S&P 500 Value trailed by half, at 10.97%. The Dividend Leaders Index has done even better year-to-date, up 7.38% through January on the heels of 10.13% for 2025.

Is there fatigue in the growth space as the market waits for confirmation that large amounts of capital spending are generating revenues or profits? Perhaps the market is concerned about continued corporate build-out spending projections moving forward? Maybe this is just a lull in the growth space before it gets its next push higher?

President Trump has announced his choice for the next chair of the Federal Reserve, and it looks like the job of balancing full employment, reasonable inflation rates and economic growth is as hard as it has ever been. The latest employment report showed that the unemployment rate fell to 4.3% as U.S. payrolls expanded at a faster pace than expected. At the same time, the most recent Atlanta Fed GDPNow tracker showed GDP may have expanded at a 3.7% annualized rate in the final quarter of 2025. In short, there is a decent case to be made that the current fed funds rate is already at "neutral," where it neither stimulates

nor restricts economic growth. This leads to the prospect that further rate cuts may not be as certain as previously anticipated.

Inflation is tracking in the range of 3%, which is consistent with our expectations. Yes, it is above the Fed's target of 2%, but it should also be noted that it is below the longer-term average inflation rate of 4%.

Economic data that is collected is referred to as "hard" data. Surveys of consumer opinions are considered "soft" data. The perspective on the economy between these two sources differs materially, with hard data suggesting everything is fine while soft data suggests the economy is struggling. Other measures like the LEI (leading economic indicators) don't lend much help in explaining the gap between hard and soft data. Has the post-pandemic economy evolved to the point where economic indicators no longer accurately



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capture current market conditions? If that is the case, reformulating the data content could lead to criticism of moving the goalposts to support a desired outcome, while leaving them unchanged would seem to lead to a nebulous interpretation of the economy.

Let's settle for calling insight into current economic conditions muddled. When this occurs, it suggests that markets are more prone to unexpected shifts in direction. Keep in mind that our portfolio structure is designed to meet investors' long-term goals while moving through the day-to-day noise that creates market volatility.

Thank you very much for your business and confidence in Bell.

Greg Sweeney is the Chief Investment and Economic Strategist at Bell Institutional Investment Management. He guides the investment strategy, and this outlook is his perspective on the latest market trends and what they could mean for investors. Any views, strategies or products discussed in this article may not be appropriate or suitable for all individuals and are subject to risks.