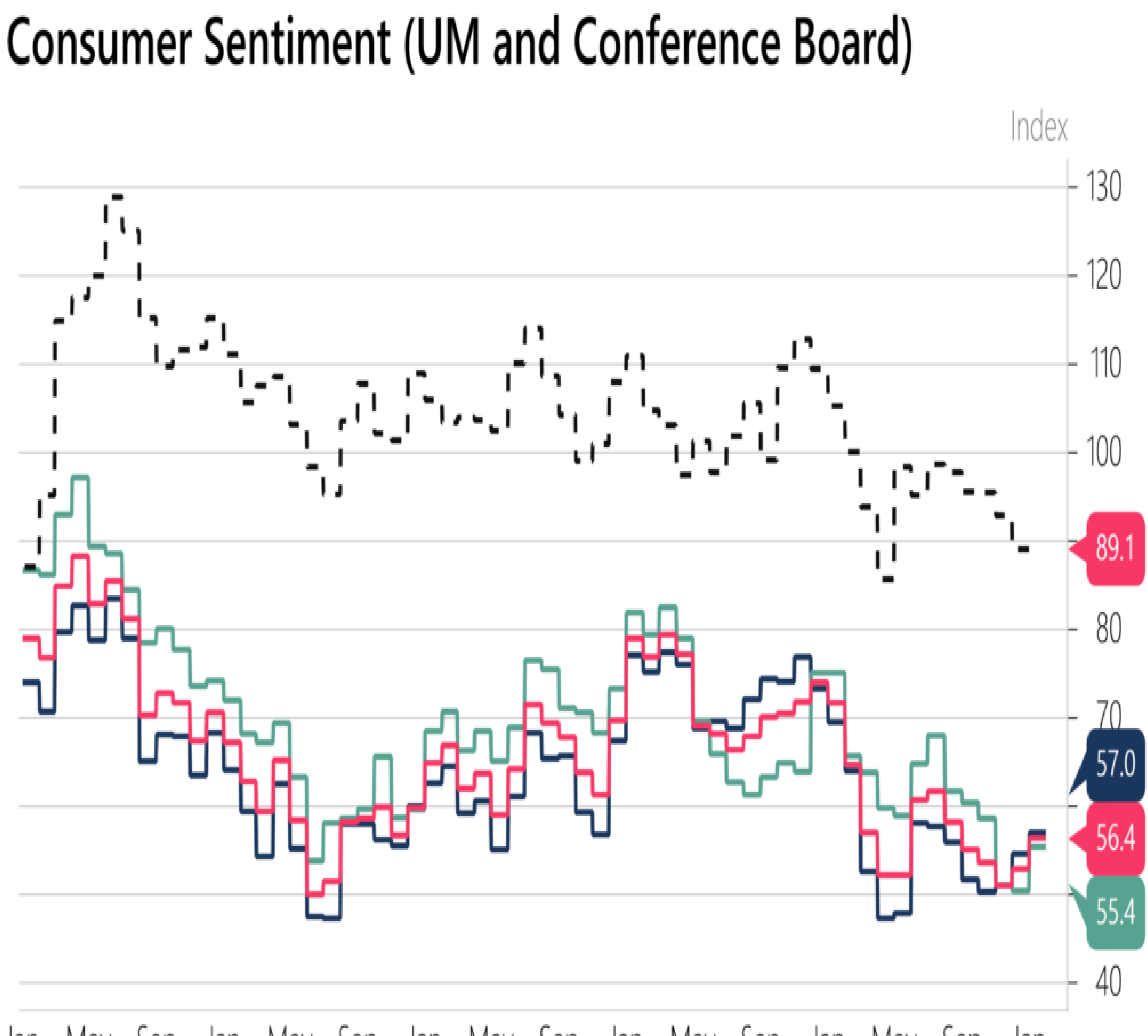
RIA Advice

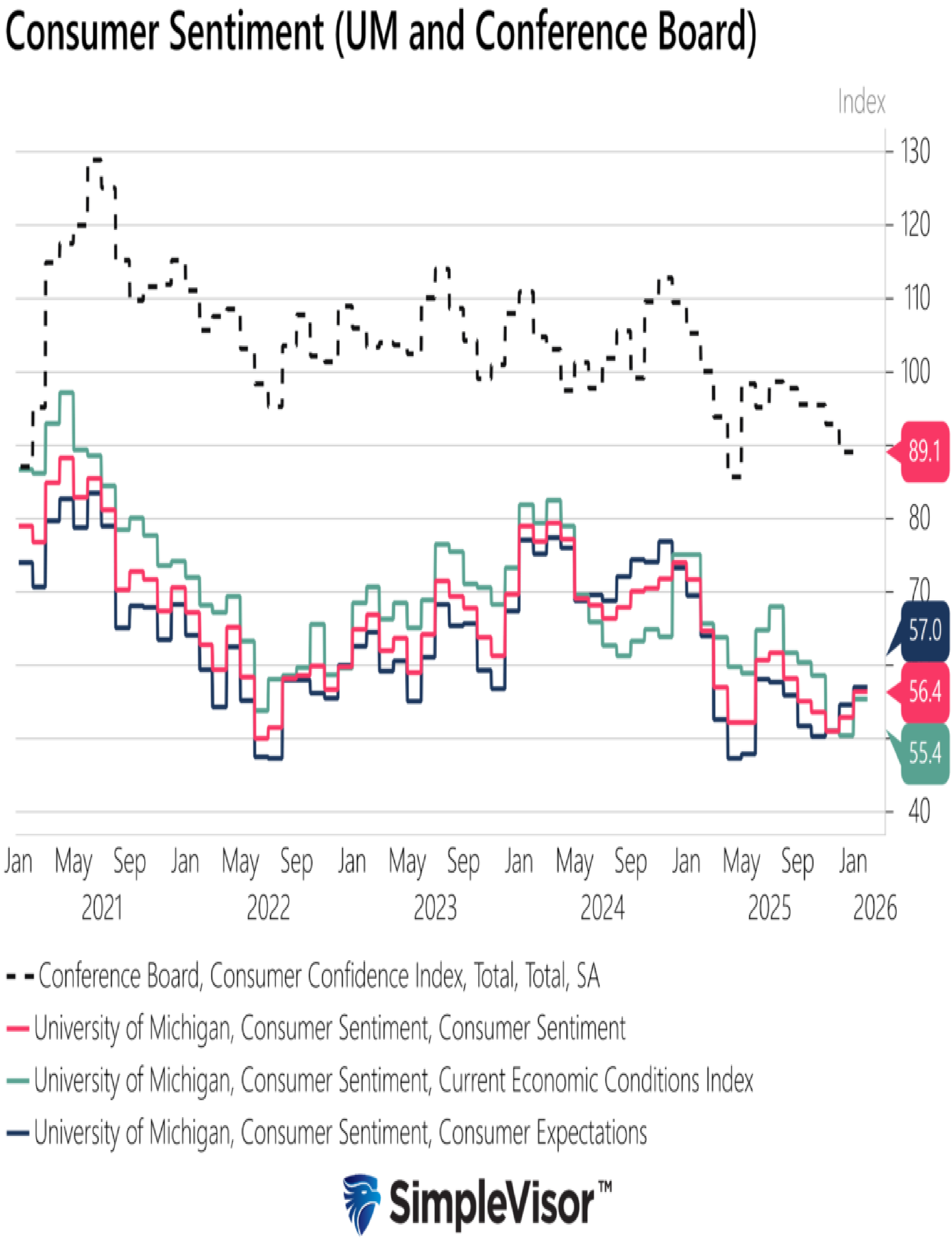
Do Sentiment Trends Boost Reflation Odds

On Monday, we discussed how the Truflation inflation gauge points to a sudden price decline, which clouds the reflation outlook. Today, we share recent consumer sentiment readings that counter the disinflation story and support the reflation narrative. On Friday, the University of Michigan reported that its consumer sentiment index improved in January to a five-month high. The index rose to 56.4, exceeding all of Wall Street?s forecasts and marking the largest increase since June.

Expectations for inflation also eased, with consumers projecting one-year price increases of 4%, the lowest reading in a year. Moreover, longer-term inflation expectations fell to 3.3%. Importantly, concerns about tariffs continue to fade, and buying conditions for durable goods improved. This all suggests that consumers remain willing to spend despite frustration over elevated prices.

While the sentiment trend is encouraging, context matters. The graph below shows the recent uptick in sentiment, but the overall level, as quantified by the University of Michigan and the Conference Board, remains very low. While tax refunds and resilient consumption have helped sustain economic growth, the rebound in sentiment appears reflective of marginal inflation and tariff relief rather than a fundamental improvement in purchasing power.





What To Watch Today

Earnings

Tuesday Jan 27	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
UnitedHealth UNH:US		2.09	6.81		113.37B	100.8B	$305.72B	Q4	AM
Raytheon Technologies RT:		1.47	1.54		22.65B	21.62B	$238.33B	Q4	AM
NextEra Energy NEE:US		0.57	0.53		6.8B	5.39B	$167.77B	Q4	AM
Texas Instruments TXN:US		1.29	1.30		4.45B	4.01B	$164.44B	Q4	PM
Boeing BA:US		-0.41	-5.90		22.13B	15.24B	$159.8B	Q4	AM

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Union Pacific UNP:US		2.93	2.91		6.15B	6.12B	$134.23B	Q4	AM
HCA HCA:US		7.45	6.22		19.66B	18.29B	$123.74B	Q4	AM
Northrop Grumman NOC:US		7.01	6.39		11.61B	10.69B	$89.41B		AM
United Parcel Service UPS:L		2.18	2.75		23.86B	25.3B	$82.21B	Q4	AM
General Motors GM:US		2.18	1.92		45.13B	47.07B	$80.06B	Q4	AM
PACCAR PCAR:US		1.07	1.66		6.02B	7.91B	$52.97B	Q4	AM
Roper Industries ROP:US		5.14	4.81		2.08B	1.88B	$51.37B	Q4	AM
Kimberly Clark KMB:US		1.81	1.50		4.1B	4.93B	$40.5B	Q4	AM
Sysco SYY:US		0.98	0.93		20.79B	20.2B	$37.78B	Q2	AM
Synchrony Financial SYF:US		2.04	1.91		3.84B	3.8B	$29.42B	Q4	AM
PPG Industries PPG:US		1.59	1.61		3.78B	3.73B	$24.79B	Q4	PM
Packaging Of America PKG:U:		2.46	2.47		2.43B	2.15B	$18.74B	Q4	PM
F5 Networks FFIV:US		3.65	3.84		755.97M	766M	$14.66B	Q1	PM
Manhattan Associates MANH:L		1.13	1.17		267.33M	255.8M	$12.6B	Q4	PM
Boston Properties BXP:US		0.57	-1.45		874.73M	858.6M	$11.08B	Q4	PM
Invesco IVZ:US		0.57	0.52		1.24B	1.16B	$10.76B	Q4	AM
Applied Industrial Technolog		2.49	2.39		1.17B	1.07B	$9.88B	Q2	AM
Qorvo QRVO:US		1.86	1.61		988.67M	916.3M	$9.16B	Q3	PM
American Airlines AAL:US		0.58	0.86		14.24B	13.7B	$8.39B	Q4	AM

Economy

Tuesday January 27 2026			Actual	Previous	Consensus	Forecast
08:15 AM	US	ADP Employment Change Weekly		8.0K		
08:55 AM	US	Redbook YoY JAN/24		5.5%		
09:00 AM	US	S&P/Case-Shiller Home Price YoY NOV		1.3%	1.2%	1.2%
09:00 AM	US	House Price Index NOV		436.7		438
09:00 AM	US	House Price Index MoM NOV		0.4%		0.3%
09:00 AM	US	House Price Index YoY NOV		1.7%		1.0%
09:00 AM	US	S&P/Case-Shiller Home Price MoM NOV		-0.3%		-0.2%
10:00 AM	US	CB Consumer Confidence JAN		89.1	90.1	88
10:00 AM	US	Richmond Fed Manufacturing Index JAN		-7	-8	-3
10:00 AM	US	Richmond Fed Manufacturing Shipments Index JAN		-11		-6
10:00 AM	US	Richmond Fed Services Revenues Index JAN		-6		-2
10:30 AM	US	Dallas Fed Services Index JAN		-3.3		2
10:30 AM	US	Dallas Fed Services Revenues Index JAN		0.1		1
01:00 PM	US	5-Year Note Auction		3.747%		
01:00 PM	US	Money Supply DEC		$22.3T		

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Market Trading Update

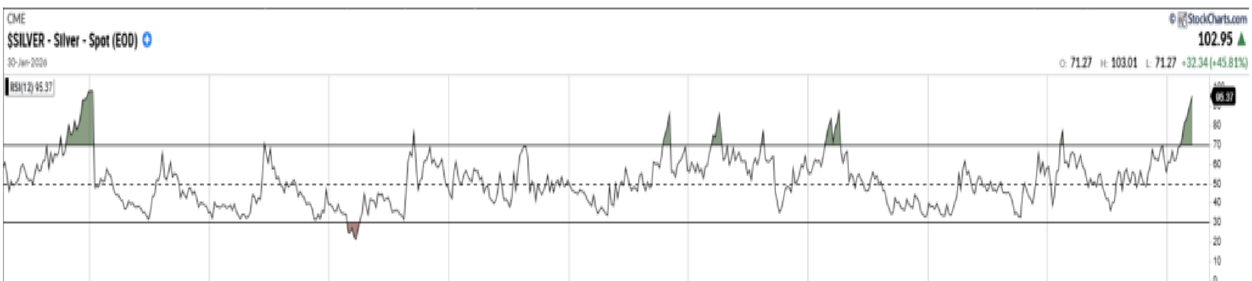
Yesterday, we discussed the technical backdrop of the market as earnings season gets fully underway this week. Last week, we made a change to our ***?All Weather Portfolio?*** that deserves some discussion, as it raised a few questions. *(**SimpleVisor** subscribers can view the All-Weather Thematic Model Holdings **here**.)*

As we have discussed many times, our job is to manage portfolios to mitigate the risk of catastrophic losses. As such, that process entails a process of:

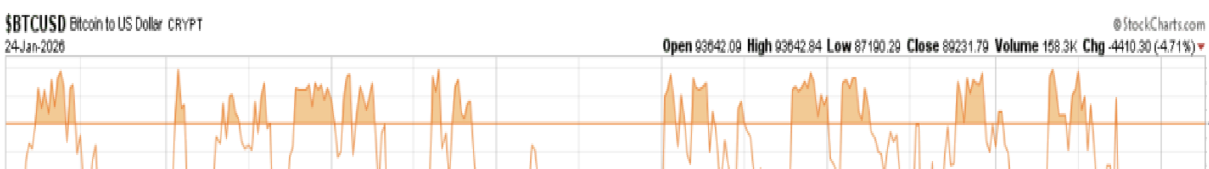
- *Managing positions weights against their target weightings.*
- *Mitigating the risk of ?mean reversions.?*
- *A regular process of rebalancing portfolios*

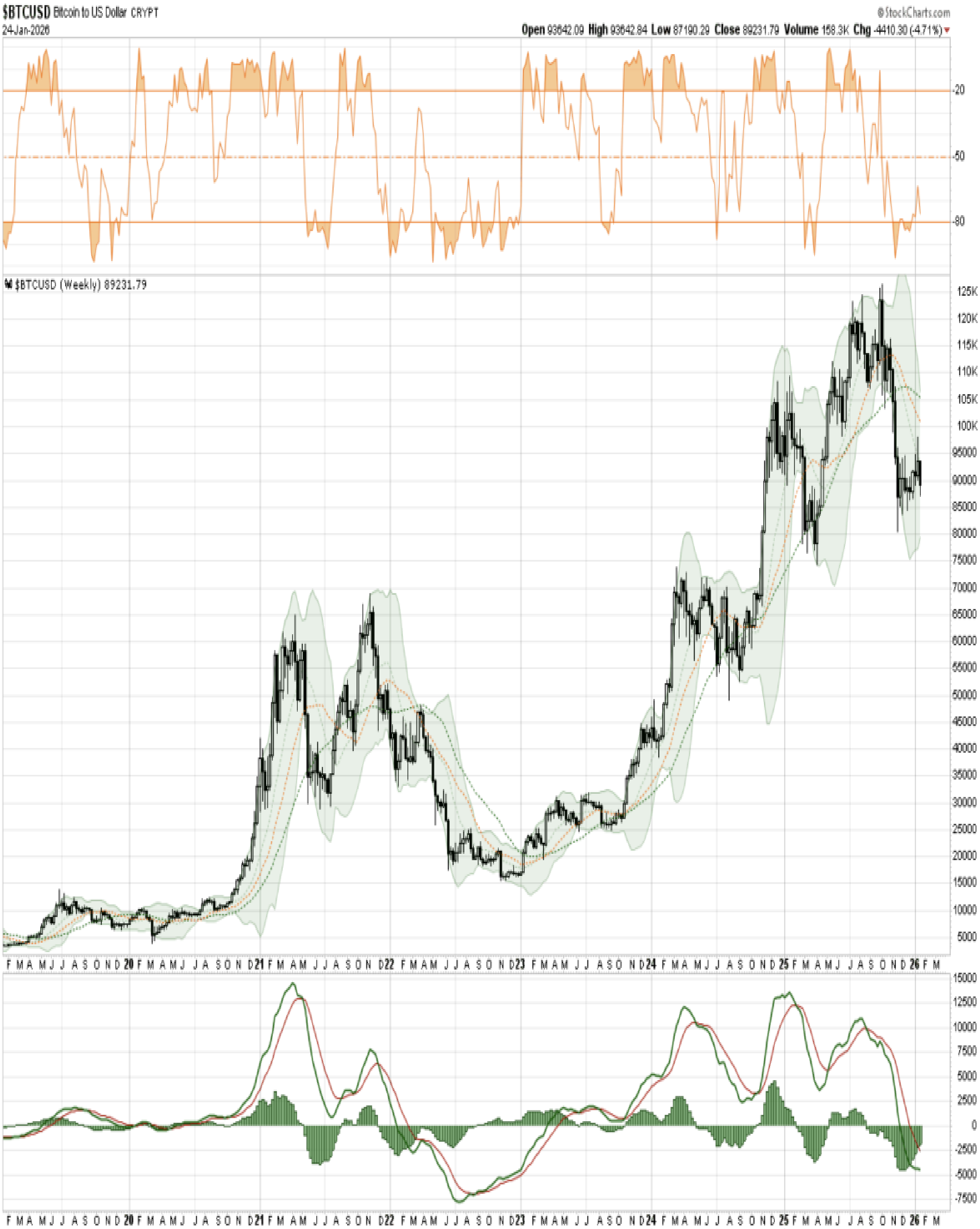
The second was most important this past week for our Gold and Silver holdings in the model. As a note, the ***?All Weather Model?*** maintains permanent exposure to metals, along with value dividend equities, and fixed income to create a total return/income strategy that adjusts for inflation over time. The following chart should fully explain why we reduced our metals holdings back to target portfolio weightings.

Silver is currently trading more than 7 standard deviations above its 200-month moving average, and 340% above that average. Relative strength is also historically extended and is at levels that have coincided with previous peaks. ***(Critical Note: This is a monthly chart, so these extensions can last for a few months.)*** The chart also shows that previous such moves have eventually *?mean-reverted?* to the 200-month moving average, which is currently at $23. While such a reversion may be hard to fathom given the very bullish sentiment in metals, that is just what price history tells us, and we are not willing to take that risk with our client?s wealth.

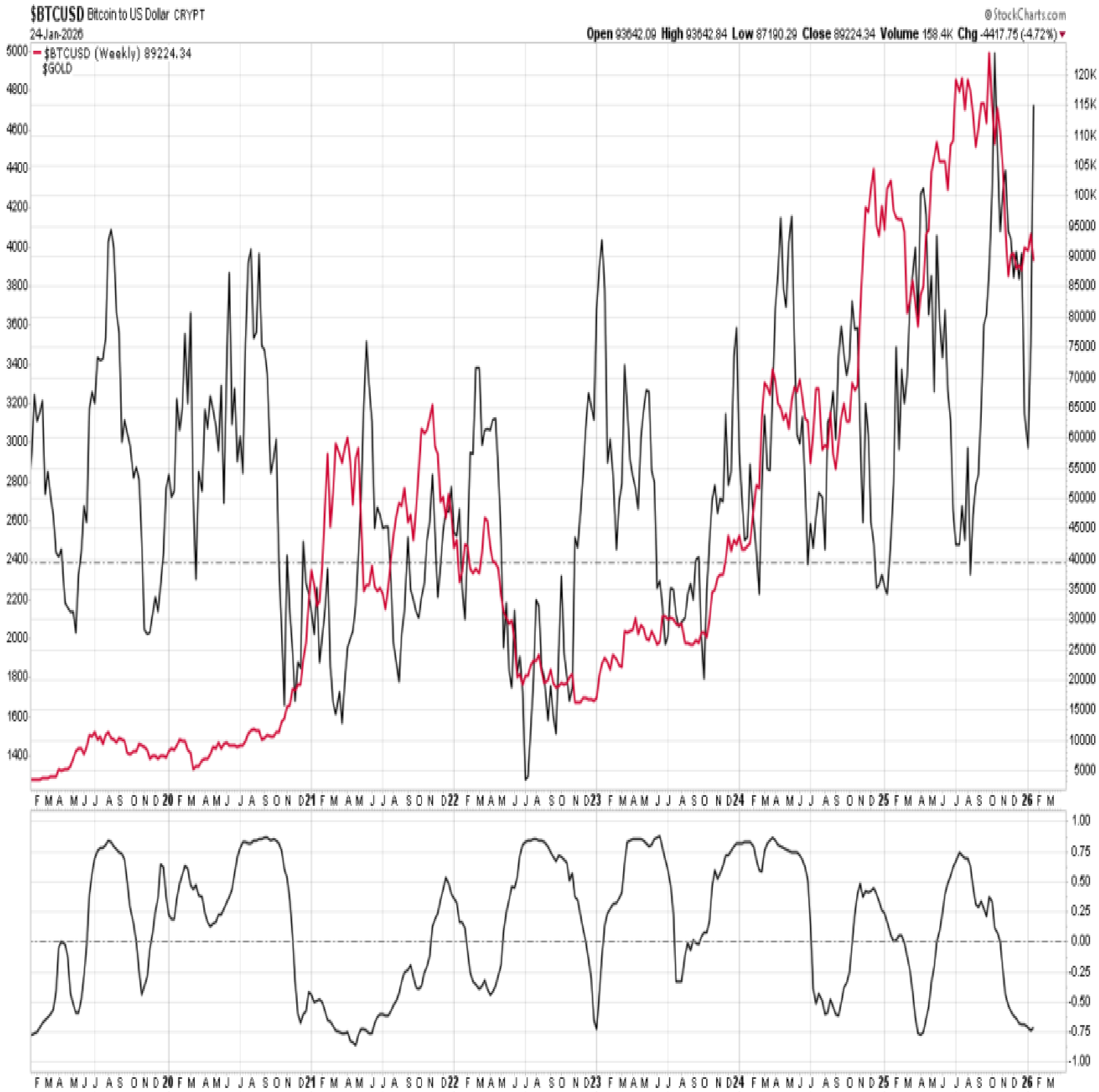


Therefore, as our risk management process dictates, we reduced our positions back to target weights and sought an area of opportunity that was deeply oversold and out of favor, still within the parameters of the portfolio?s *?all-weather?* makeup. As such, we used the proceeds from our metal reductions to establish a starter position in Bitcoin through the **BlackRock Bitcoin ETF.** As shown, Bitcoin has become fairly oversold and appears to be building a solid support base. We have kept our initial position relatively small and will look for weakness to build the position, as long as technical support remains intact. With momentum signals turning bullish, we think retail flows could return to this area, particularly if there is a risk-off rotation out of metals.





Furthermore, previous periods of a negative correlation to gold have led to decent rallies in Bitcoin. The chart shows the 12-week ROC for gold versus Bitcoin. While that negative correlation is not perfect, the current extreme bullishness in gold positioning versus the bearish positioning in Bitcoin makes for a compelling arbitrage in portfolios to hedge our remaining metals positions.

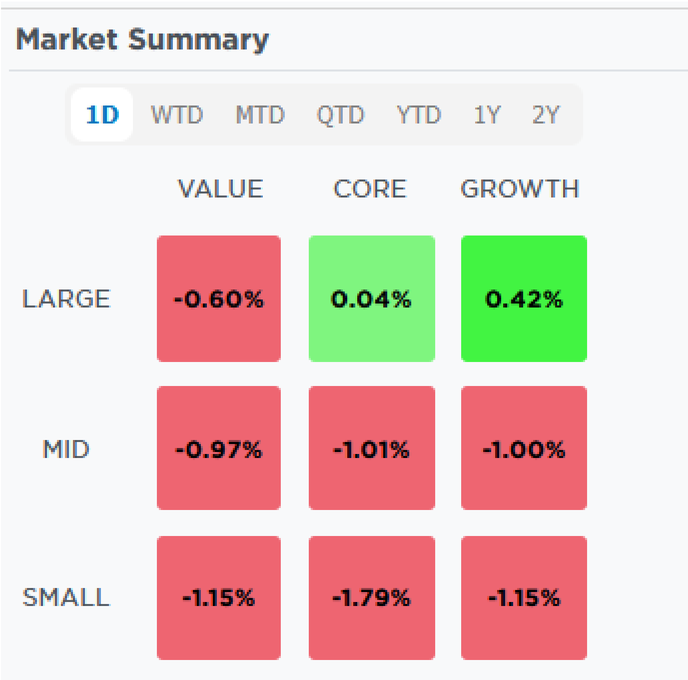


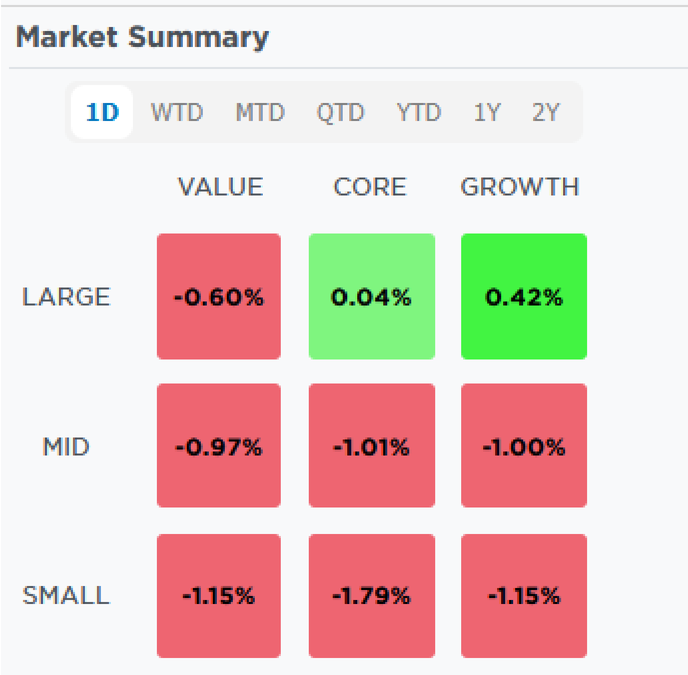
As is always the case, we focus on risk management first, and while the market is very bullish for metals, as contrarian investors, that bullishness presents opportunities in more distressed areas of the market.

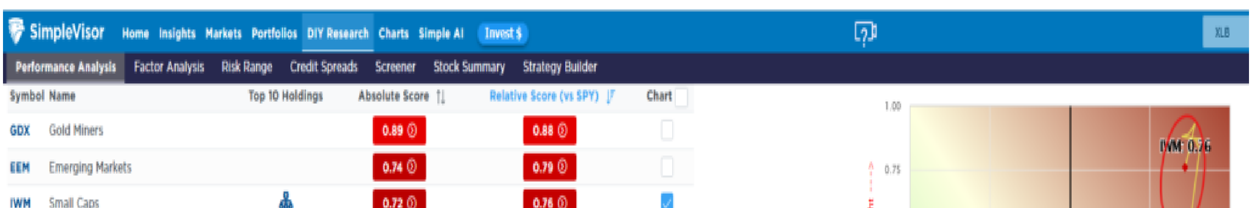
Is It Time For The Magnificent Seven To Shine?

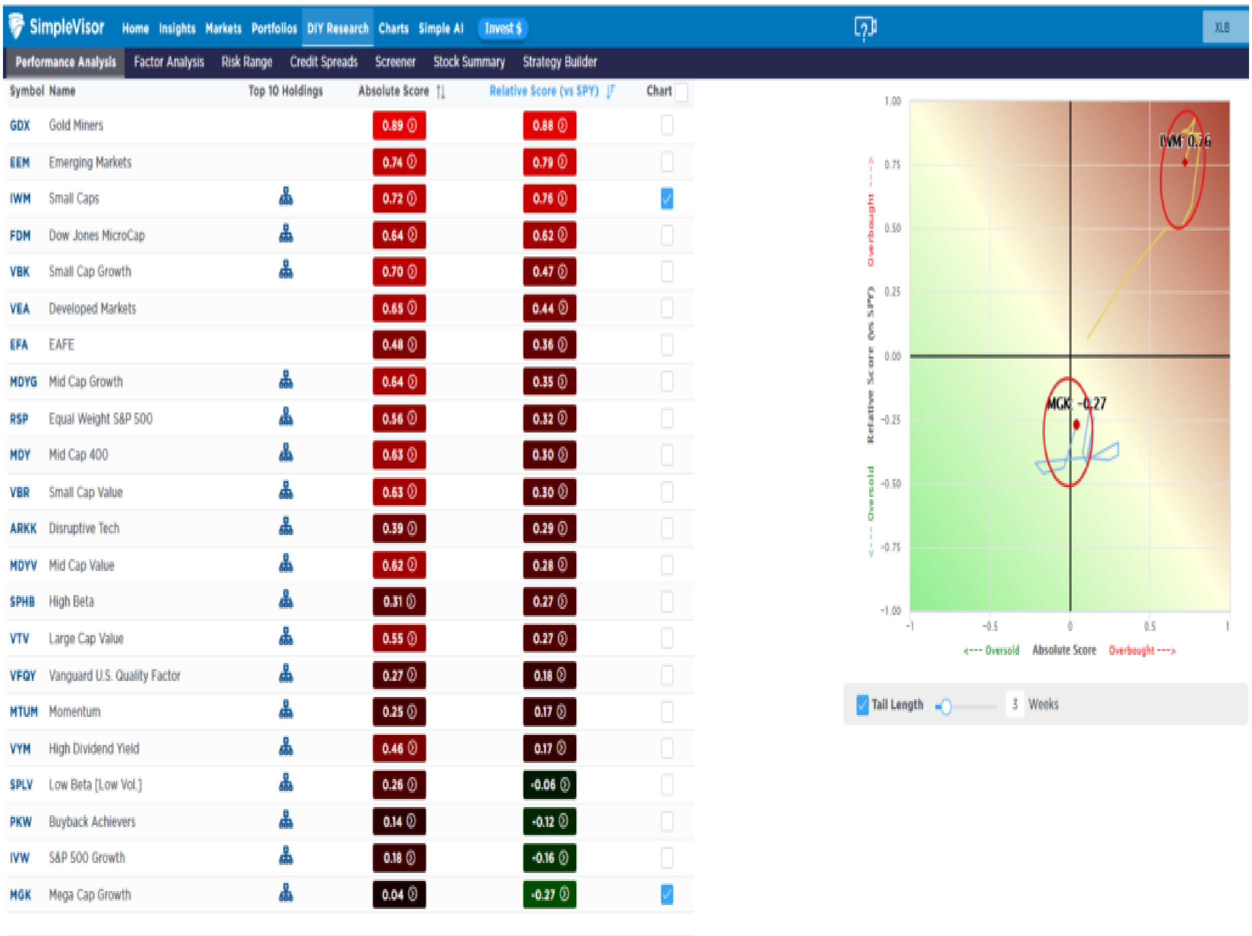
Over the past couple of months, the once-dominant Magnificent Seven stocks and other mega-cap stocks have stumbled relative to the small-cap, mid-cap, and value factors. Last Friday, we got our first hint that a rotation toward mega-cap stocks could be afoot. On that day, as shown in the first graphic below, courtesy of [SimpleVisor](), large-cap growth stocks rose nearly half a percent, while small- and mid-cap growth and value fell by 1-2%.

The second graphic highlights the slight turn in their relative and absolute scores. We suspect this may continue as the performance divergence has reached short-term extremes. Moreover, with five mega-cap stocks reporting earnings this week, the odds favor upside if earnings are strong, as their prices are discounted from recent highs. However, bear in mind that a rotation into mega-cap and large-cap growth stocks could be short-lived, and the factor performance of the last month or two could be the playbook for months to come. For now, it?s important to be patient and watch these factors, along with market sentiment, to help assess which factors will lead and lag in February and March.









Symbol	Name	Top 10 Holdings	Absolute Score	Relative Score (vs SPY)	Chart
GDX	Gold Miners		0.89	0.88	
EEM	Emerging Markets		0.74	0.79	
IWM	Small Caps		0.72	0.76	✓
FDM	Dow Jones MicroCap		0.64	0.62	
VBK	Small Cap Growth		0.70	0.47	
VEA	Developed Markets		0.65	0.44	
EFA	EAFE		0.48	0.36	
MDYG	Mid Cap Growth		0.64	0.35	
RSP	Equal Weight S&P 500		0.56	0.32	
MDY	Mid Cap 400		0.63	0.30	
VBR	Small Cap Value		0.63	0.30	
ARKK	Disruptive Tech		0.39	0.29	
MDYV	Mid Cap Value		0.62	0.28	
SPHB	High Beta		0.31	0.27	
VTV	Large Cap Value		0.55	0.27	
VFQY	Vanguard U.S. Quality Factor		0.27	0.18	
MTUM	Momentum		0.25	0.17	
VYM	High Dividend Yield		0.46	0.17	
SPLV	Low Beta [Low Vol.]		0.26	-0.06	
PKW	Buyback Achievers		0.14	-0.12	
IVW	S&P 500 Growth		0.18	-0.16	
MGK	Mega Cap Growth		0.04	-0.27	✓

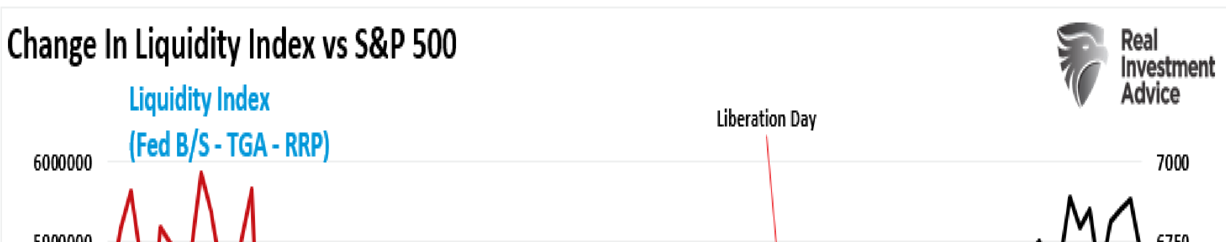
The Bullish And Bearish Case For 2026

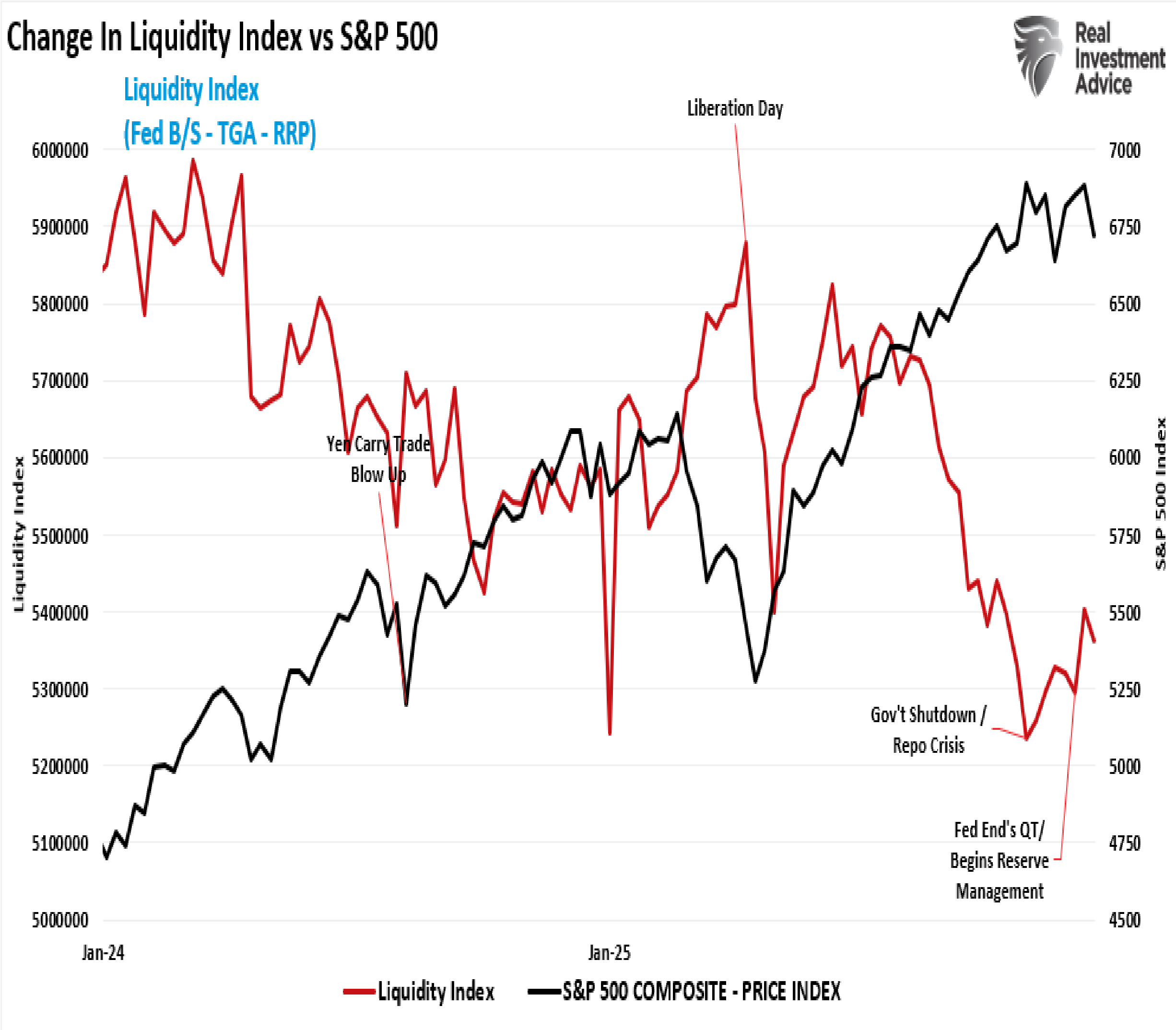
The year ahead presents both a bullish and bearish case for investors. Will 2026 be another year of above-average returns, or will it be a year of disappointment? The bulls argue that the key ingredients for a sustained rally are in place. A powerful technology cycle, aggressive corporate spending, and supportive policy measures all point to further gains. Conversely, the bears argue that key drivers are weakening, market leadership is dangerously narrow, and signs of economic strain are becoming increasingly visible beneath the surface.

Following a strong 2025, many investors are now facing a different market regime. Liquidity remains ample, but concerns around valuation, employment pressure, and consumer health are rising. The outcome depends on how long optimism can prevail over reality, and whether the hoped-for gains from artificial intelligence and capital expenditures materialize in time to offset the economic drag from debt, interest rates, and inequality.

Sentiment indeed remains positive, although not universally so. Equity strategists are divided, and bond markets are pricing in both rate cuts and the risk of a recession. Furthermore, while fiscal stimulus could delay any downturn, it also adds to long-term imbalances. The challenge for investors is staying objective. While both the bull and bear cases have merit, the timing of outcomes will be critical, and the reality is that in 2026, both the bullish and bearish cases could be correct. Therefore, the right strategy will be the one that adapts.

Let?s break down both the bullish and bearish scenarios for 2026 and examine the arguments on each side. **READ MORE?**

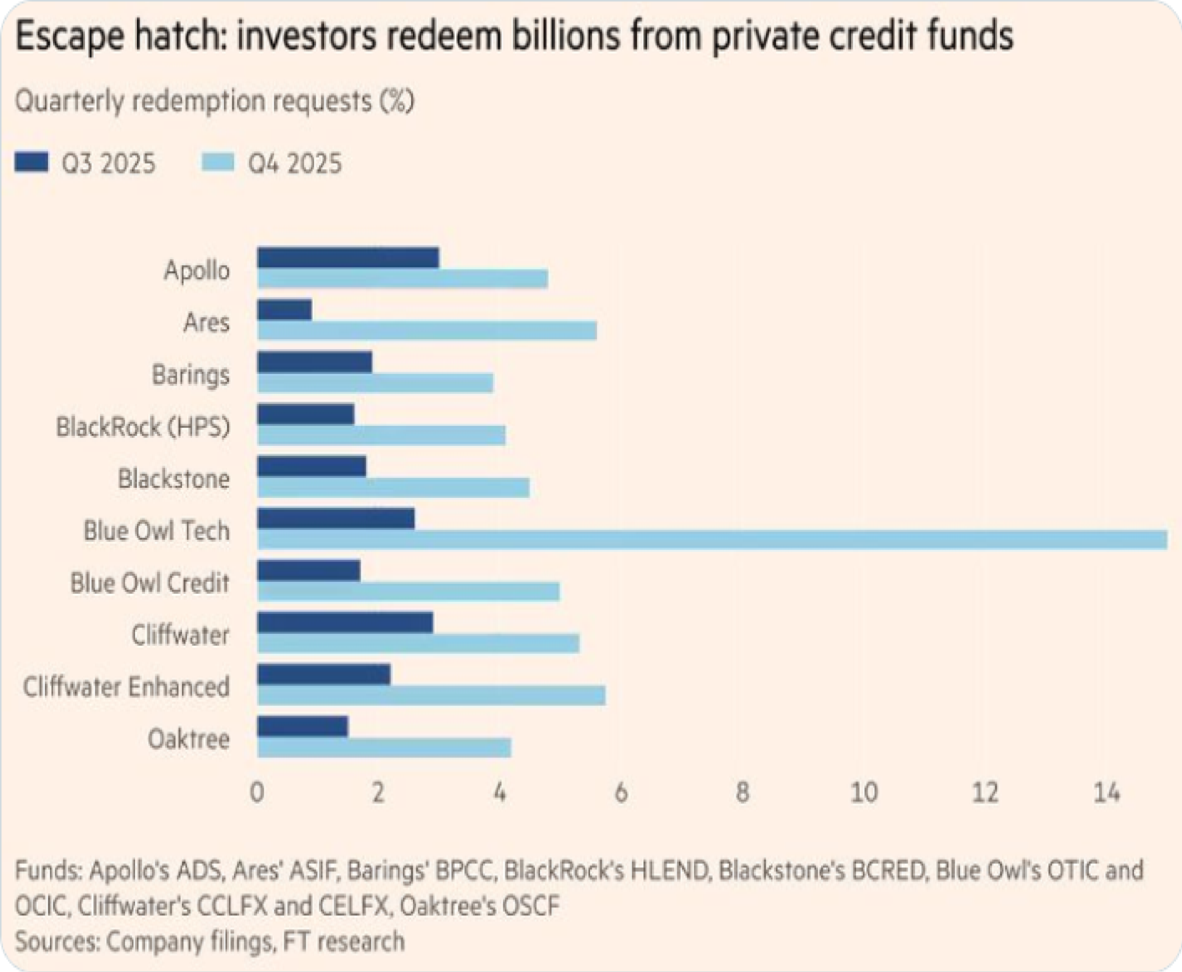




Tweet of the Day

Joachim Dressler
@TheVolawatcher

#Bonds_NewIssues get my money back



?Want to achieve better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.?]()

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