All That Glitters

Weekender

January 31, 2026

Resolve to be tender with the young, compassionate with the aged, sympathetic with the striving, and tolerant of the weak and the wrong. Sometime in your life, you will have been all of these.

George Washington Carver

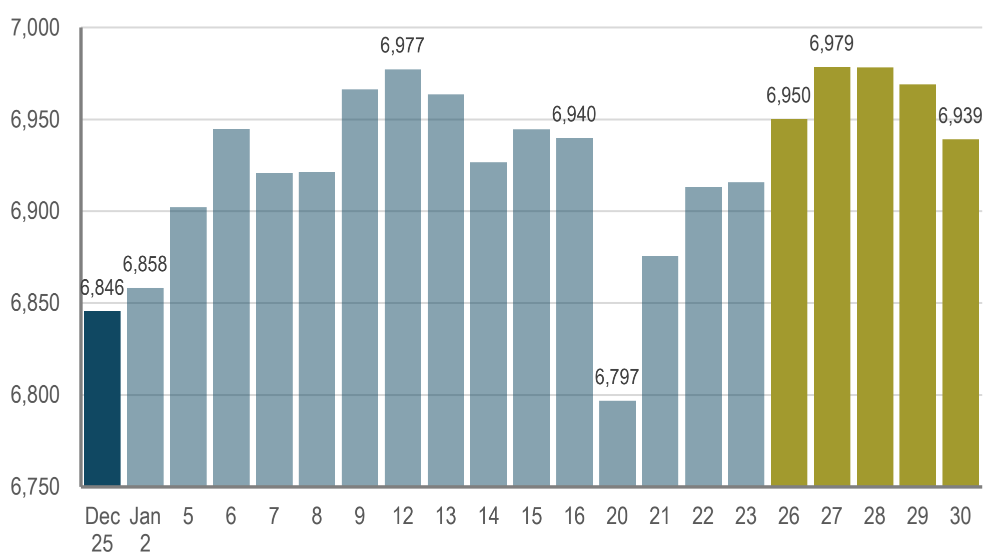
Our only hope lies in the power of our love, generosity, tolerance and understanding and our commitment to making the world a better place for all.

Muhammad Ali

Good morning, and welcome to the *Weekender* for Saturday, January 31, 2026. Financial markets are, in most ways, a reflection of the broader world. If Warren Buffett is accurate, as he usually is, in the short run, financial market moves are a sign that investors and traders are ***voting*** on potential future outcomes. In the long run, financial markets ***weigh*** tangible results against fulfilled or unfulfilled voted expectations. In the last week of January, both ***voting*** polls and ***weigh*** stations were open and busy.

S&P 500 Index Levels

(Source: Bloomberg)



US equity markets, as measured by the S&P 500, were slightly higher, up 0.3% on the week. However, as the bar graph indicates, January has been very volatile. Equity markets are being buffeted by six primary factors:

1. Ongoing technology momentum, as highlighted by expectations of continued spending on artificial intelligence infrastructure;
2. Changing monetary policy expectations wherein the Federal Reserve held rates steady this week on the back of solid economic performance and moderating inflation worries;
3. Policy tailwinds coming from the realization of the promises of "One Big Beautiful Bill";
4. Robust broader economic performance driven by the insatiable willingness of the US consumer to spend and artificial intelligence spending; 5. Excess market liquidity, a residual of pandemic-era excess, continues to bounce between asset classes, inflating and deflating; and,
6. Seasonal market trends that favor January.

We expect these primary factors to remain influential for the remainder of the year. Two other factors, which are more structural in nature, will also serve as lenses through which the six factors play out. First, there is an erosion of the global governance order that has been in place since the end of World War II, a topic we will address in detail next week. Second is corporate earnings growth. The topic of the following *Weekender.*

Please be sure to consult a qualified investment advisor prior to making investment decisions.

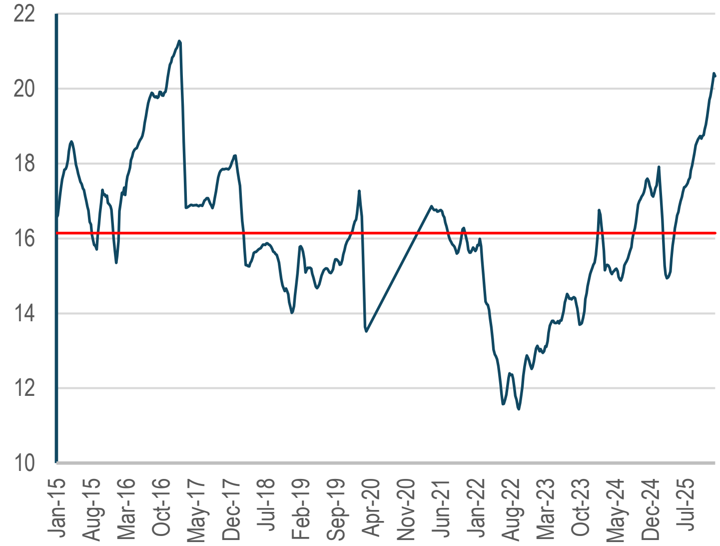
Market Narrative

While equities in the United States remain very expensive relative to those in other parts of the world, foreign equities are increasingly expensive relative to their own valuation averages. Equities of resource-rich countries, such as Canada, have been buoyed by rising metal and non-energy commodity prices. If last week's shift in metal pricing momentum proves sticky, higher valuations will be unsustainable in raw commodity-producing countries.

Canada PE Ratio

January 2, 2015 - January 30, 2026

(Source: Bloomberg)

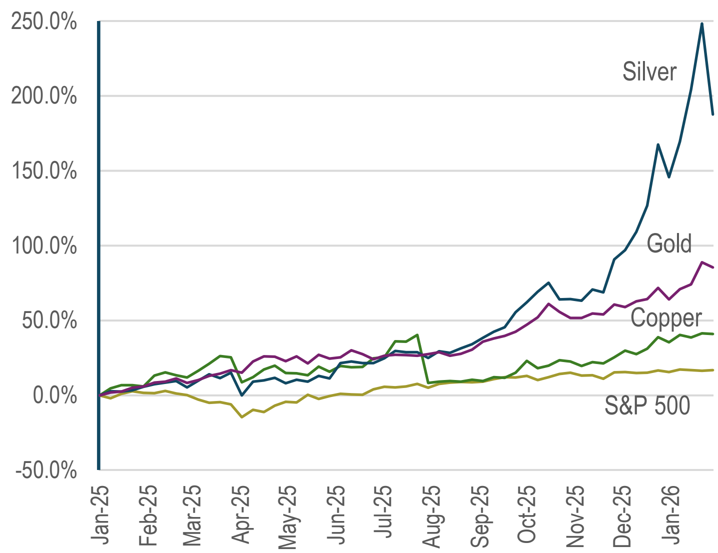


One of the most crowded trades over the past month has been precious metals. Gold seemed ever destined for higher highs. But it wasn't just gold, copper, silver, and platinum that have also been strong performers in both 2025 and for the first month of this year. Silver posted its worst trading day ever on Friday. The exit door is remarkably small, and when investors want out, markets must accommodate.

Cumulative Returns

January 2, 2025 - January 30, 2026

(Source: Bloomberg)



Some rationality seemed behind this trade in metals. A general dissolving of the global governance structure has investors and consumers on edge. But more to blame than geopolitical rationality is the rapid shifts in liquidity. Since the pandemic giveaways, retail traders have been indiscriminately chasing easy returns. They bid up cryptocurrencies immediately following the pandemic, but crypto then gave way to sports betting and to investing/trading in metals.

Cryptocurrency, postulated by many to be a safe re treat for pensive pensioners in an uncertain world, has instead been behaving more like a scared cat. Its disciples have changed their favorite song from "Up Always Up" to "Stayin' Alive." Bitcoin has lost approximately one-third of its value since hitting a record high in October of last year. This year alone, it is down -4.2%. Alternative tokens, such as Ether, are down by more than 40% from their summer 2025 highs.

Investment assets in one of the largest silver exchange-traded funds have skyrocketed over the last few months.

SLV ETF Funda Assets

January 20245 - January 2025

(Source: Bloomberg)

We expect equities to continue to perform well, unless they are directly or loosely tied to the fortunes of precious metals. Leaving equities would be a disavowal of the structural gains expected from artificial intelligence in the years ahead. Fixed income, although off its frothy yield levels of last year, at 4.24% for the ten-year US government bond, still provides a sturdy support for a diversified portfolio. That said, many well-known equity names are heavily weighted in widely used indices and overvalued. We believe it is still prudent to stay away from them.

Economic Narrative

Recent economic data has been nothing short of head-scratching for economists. After the last lockdown, a byproduct of an increasingly petulant political system, economic data collection came to a halt. It is only now coming back to a more regular cadence. Data reveal a consumer who is in emotional distress but continues to spend like a drunken sailor. Some have called it doom spending. An emotional devil-may-care response to the "end of the world as we know it," which every media outlet is anxiously engaged in portraying.

Some feckless spending may be at play. More important is the disconnect between media reports that the end of the world is around the corner and the reality that consumers are employed, well-paid, able to borrow, and seem to enjoy their current state of misery enough to remain valiant consumers.

Producer-level inflation has risen slightly to 2.9%. However, a deeper analysis of the data shows that the increase was attributable to higher goods prices, which is likely to be a short-term phenomenon and wane by the time next year's numbers are reported. Inside the headline numbers, service prices are beginning to moderate. At the consumer level, inflation for December 2025 came in at 2.7%, in line with expectations.

While inflation is not close enough to the Federal Reserve's 2.0% target, they have manifested their willingness to keep rates where they are on a count of the "balance of risks"—geek speak for the economy does not appear to be at risk of weakening, and inflation, although higher than target, is not causing heartburn. Employment continues to soften up a bit, meaning the jobs created on a monthly basis show a flat "steady state" labor market. Wages continue to be a risk factor, which is part of the fuel behind consumer spending.

A gestalt closure of borders has much to do with that. Tighter labor supply is keeping wages taut. Layoffs are press-worthy but not generalizable, and the numbers are completely insufficient to raise any warning flags for the labor market. But ahead lies an agricultural season severely short of workers. As things currently stand, this could be a big problem.

We believe the economy is set to outperform in the near term, largely driven by the factors outlined. Typically, this leads to strong equity performance. However, the equity rise has not been universal. We continue to anticipate churn and rotation within the markets as overvalued names give way to those that have not participated in the AI runup. As a portfolio matter, we are fully invested. However, we do have slip knots in place.

Conclusion

That's it for this *Weekender*. We are back to our regular publishing schedule. Have a wonderful week.