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Happy 2026

INVESTMENT VIEWS

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2026 OUTLOOK: A YEAR OF TENSION

As we exit a successful 2025, we would like to offer some thoughts and ideas regarding possible economic and market dynamics in the new year. If our view on 2026 can be summarized in one word it would be **tension**. There are multiple dynamics in play that will likely pull and push investors in different directions over the course of the year.

Interest Rates

We have written about interest rates often as they are a primary determinant of direction for nearly every asset. Longer term rates are especially important and seem to want to head higher. However, this is in direct opposition to what the Federal government wants and needs. It is likely that with appropriate "cover" the Fed will likely intervene and buy longer bonds to bring down the longer end of the yield curve.

Election Year

2026 is a year of mid-term congressional elections and both parties view these elections as critical. It is likely that Republicans will do their best to boost the economy and stock markets to ensure a strong performance in November. After all, a weak economy and dented retirement accounts will only hurt them. Note, the election years are historically known to be difficult with drawdowns averaging -18% at times during these years.

IPO Heavy Year

Many believe the AI "bubble" is about to burst, but 2026 is set up to see many IPOs in this area alone. This does not mean that AI is insulated from selling, but there will be plenty of hype and momentum left in this trade as the year progresses. Amongst the companies planning to go public are SpaceX, Databricks, Anthropic and Open AI, just to name a few. All of these are $1 billion plus in annual reoccurring revenue.

Valuation Versus Narratives

Stocks in general have above average long-term valuations, yet the narrative around various themes such as artificial intelligence, robotics, reshoring and energy and mineral independence should remain strong. The result – more volatility when doubts appear on these and other themes. Therefore, it is a good idea to focus on some stocks with low valuations for at least a portion of a portfolio.

Domestic and Global Growth

The markets have been wrestling with questions about economic growth, with growing concern that the economy may be slowing down and headed towards recession. Currently, we do not see a recession happening in 2026, though certain doubts may persist into the beginning of the year. Globally, the outlook for growth seems to be on an upward trajectory. So called "emerging markets" may be center stage of this growth and could help push up demand more in many commodities such as oil, gas, metals and fertilizers.

The Bull is Alive and Well

While the media will tell you this bull is long in the tooth, it has currently lasted over 800 days which is below the historical average of 1153 days. On a percentage change basis it is also below the average gain of 155.2%. The trend is still positive and strong and until that changes we will stay bullish.

Continuing Uncertainty

Uncertainty is used so often these days it has almost lost all meaning – we live in uncertain times. There is plenty of emerging growth opportunities to be optimistic about (nuclear energy, space, robotics, AI to name a few), however there are large risks lurking that could derail their development (war, domestic political turmoil, fiscal challenges, etc.). To that end cash, gold, silver, and US Treasury bonds make some sense as hedges, though the time to buy gold and silver at a low-price risk has passed.

URANIUM TO START GROWING SOON?

2025 was a banner year for nuclear energy, with some of the best performing stocks being driven up 10-fold or more. Investors focused on fuel fabricators and builders of small modular reactors (SMRs) as they realized that these SMRs could help meet the huge AI power demands. As this technology continues to move forward, we believe that attention could turn back towards uranium as global demand is set to soar over the next decade. Prior to nuclear power becoming an AI investment, uranium had already been in a supply deficit for several years. Now many of these nuclear projects will not be on-line for several years however, investors must realize that the entire process of a given amount of uranium ore being turned into nuclear fuel takes a few years. This means that orders for so called uranium yellow cake could begin coming in 2026 for fuel to be delivered in 2029 or 2030. Once the uranium market wakes up it often behaves in a very volatile (upwards) fashion.

WILL 2026 BE A YEAR OF ROKUvery?

Roku has been in our portfolios for nearly 3 years and until recently has underperformed relative to the market and our portfolio. We are patient investors and simply monitored the position to make sure that management was working to get the company in the right direction. Roku needs to solidify its position as the independent streaming platform, an indispensable player for both content owners and hyperscale platforms such as Google, Amazon and Apple. One scenario for 2026 has massive mid-term election driven advertising coming to the AI enhanced Roku ad placement system, proving itself as the standard for next generation advertising. Over time, we still expect the stock to at least challenge prior highs made back in 2021.

QUICK SILVER ON NOTE

So much has happened to the price of silver since our last newsletter, hitting over $82 an ounce in late December. It is by far the best performing asset of 2025, up well over 100%. Current rumors point to an industrial user panic in Asia, with solar panel factories and EV makers hoarding silver due to fear of a supply shortage. While we emphasize that this is a rumor, silver has been in a serious deficit for 4 or 5 years.

A SHORT TERM POSITIVE NOTE

The market barometer S&P 500 closed the year with four down days in a row, which has happened only twice before (1966 and 2024). While that is a small sample size, the market was up one month later every time, with gains of 7.8% and 1.9% respectively.

THE MARGIN SWAN

The thing about black swan events in the markets is nobody really sees them coming. These are low liquidity events that force selling in many areas. As of November 2025, U.S. margin debt has reached a record $1.214 trillion, equating to about 1.78% of total stock market capitalization, below the historical average of 2.3% . Despite the modest percentage, its 36% year-over-year growth far outpaces the S&P 500's year-to-date rise, indicating excessive speculation and leverage. It has risen over 42% in just the last seven months, which is a historically fast change. This has only happened five time before and the S&P 500 was lower one year later every single time.

Is this the potential black swan or canary in the coal mine that we should be watching for? Potentially and is amongst other liquidity issues the market has been seeing for the past couple of months. Issues around bank repos and even Japanese yields have already been stoking fear in the markets. The aforementioned political gesturing centered around the mid-term elections could just be the kindling that sparks a sell-off before we know that the real culprit is. In a year that we already expect to be volatile, these kind of forces could amplify margin calls at a time when margin has been growing rapidly and the market tends to punish over-optimistic environments.

Recommendation List: A list of all previous specific investment discussions published over the past 12 months will be provided upon request. Please email lara@mhandassociates.com or call our office for this list.

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