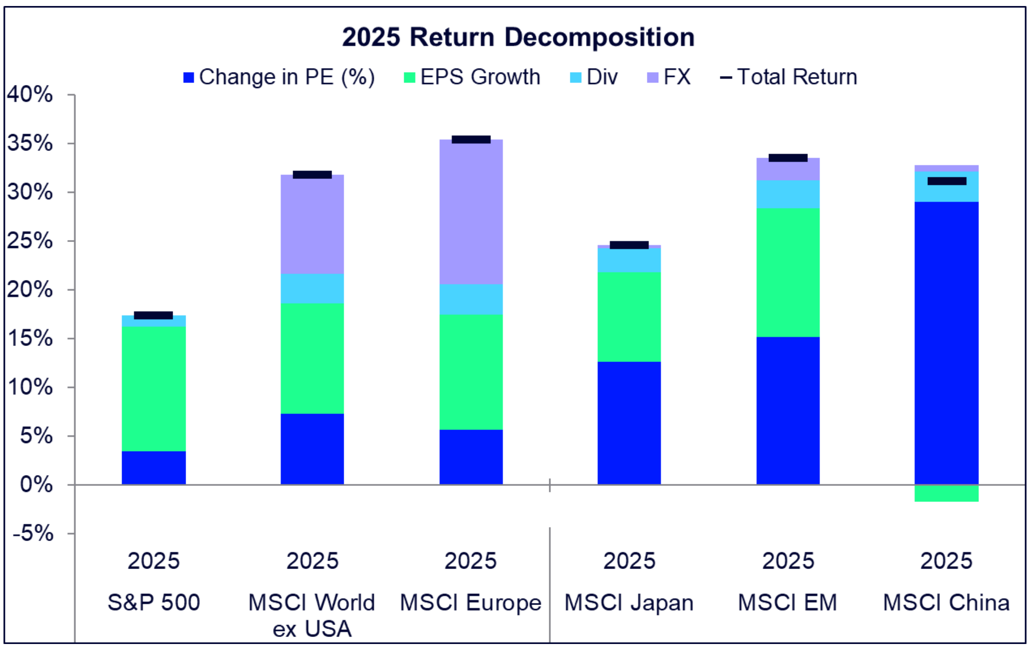
STATE STREET INVESTMENT MANAGEMENT

COMMENTARY
January 22, 2026

Mind on the Market

Chart of the Week



Source: FactSet, S&P, MSCI. Data as of 1/21/2026. Total return figures are net, in USD. Return decomposition is based on a simplified analytical framework. This decomposition is illustrative in nature and may not fully capture all drivers of performance.

Although the U.S. underperformed other major regional indices in 2025, the quality of its return profile remained strong. The accompanying chart decomposes returns across key markets, highlighting the roles of valuation expansion, EPS growth, dividends, and currency effects. Notably, the U.S. stands out as the only region where earnings growth, rather than multiple expansion or FX, accounted for the majority of total return. This reflects a fundamentally supported market in which corporate performance is being driven by genuine profit growth.

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Weekly Highlights

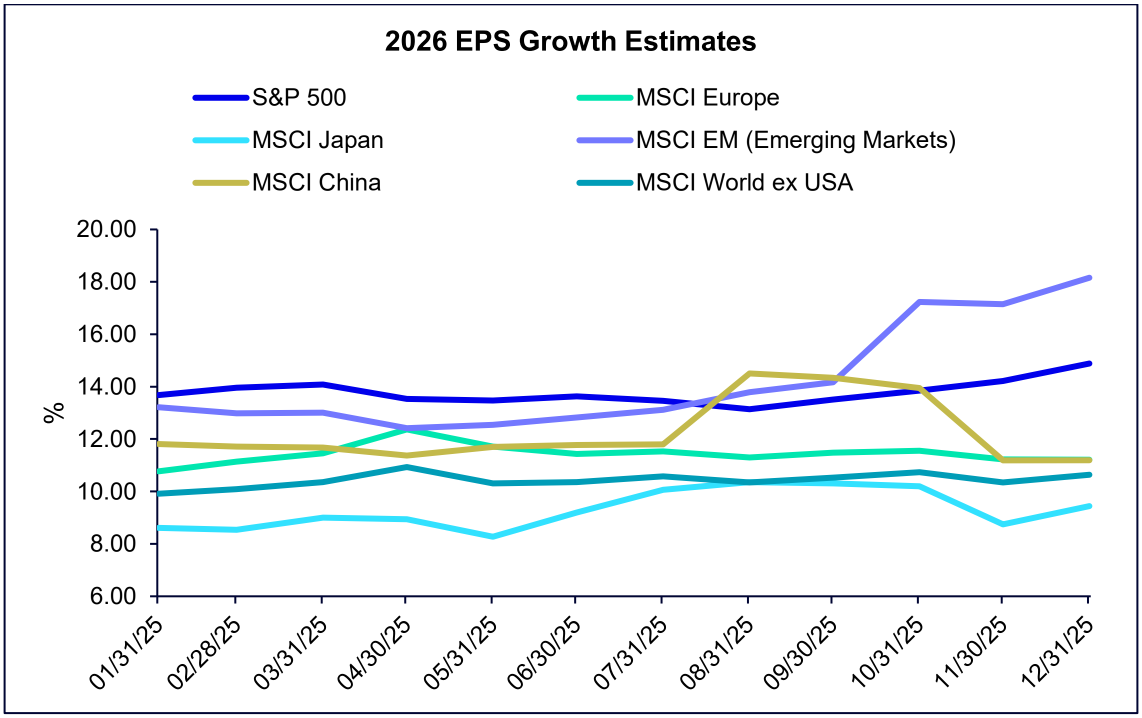
S&P 500 2025 CY Estimated Earnings Growth	S&P 500 Banks 2025 CY Estimated Earnings Growth	S&P 500 2026 CY Estimated Earnings Growth
12.0%	12.5%	14.2%

Source: FactSet, as of January 21, 2026

The Next Leg of the Earnings Cycle: Signals from 2026 Revisions and 2025 Results

In 2025, U.S. large-cap equities posted strong results, with the first three quarters delivering double-digit earnings growth and full-year EPS expected to rise about 12% YoY. The S&P 500 gained 17% for the year while valuations were steady, with the forward P/E edging up slightly from 21.4x to 22x.

Estimates for 2026 remain similarly optimistic, with earnings expected to grow about 14%. At this stage, most major regions are projecting healthy profit expansion heading into the new year, and growth expectations continue to trend higher for indices such as the S&P 500 and MSCI EM. The chart below illustrates how 2026 EPS growth estimates have evolved over the past year.



Source: FactSet, S&P, MSCI. Data as of 12/31/2025.

Thus far, the strongest earnings revisions have come from Emerging Markets and U.S. Large Cap. Within EM, sectors such as Materials and especially Information Technology have received significant upward estimate revisions, lifting overall expectations for the index. As highlighted in our Global Market Outlook, countries including India, Saudi Arabia and the UAE are investing heavily in AI infrastructure and digital transformation, positioning them to capture future efficiency gains and improve long-term competitiveness.

Similarly in the U.S., upward U.S. earnings revisions for 2026 have been bolstered by improving expectations for IT, along with Communication Services, and Financials. While earnings strength broadened over the course of 2025, market leadership remained relatively concentrated, with mega-cap technology and communication services companies continuing to account for an outsized share of returns. The balance between narrow leadership and gradually improving breadth will be an important dynamic to watch in 2026.

Q4 earnings are the final piece needed to complete the 2025 earnings picture. So far, most major banks have reported, with U.S. large cap banks (as defined by the banking industry within the S&P 500) posting Q4 earnings growth of 4.8% and tracking toward full-year 2025 growth of roughly 12.5%. While results remain positive, uncertainty surrounding the regulatory environment has added some tension. Even so, underlying trends are constructive, with firms reporting rising investment banking fees, strong trading revenue and guidance that points to continued loan and deposit growth in the year ahead.

Banks serve as an important barometer for the broader corporate profit environment because improving results, when driven by fundamentals, often signal underlying economic resilience that can support earnings across several sectors.

A large wave of additional Q4 reports will arrive in the coming weeks, and as we close out the 2025 reporting season, the sustainability of earnings growth will be critical for further market progress, especially with valuation multiples at elevated levels. More broadly, we believe that 2026 marks a shift back toward fundamentals after a year defined by global capital push-and-pull. With many international markets now looking increasingly rich, we see room for flows to return to the U.S. on the back of superior fundamentals. This remains a central pillar of our U.S. preference: as markets refocus on future earnings growth, the U.S. stands well-positioned to attract capital again.

Source: FactSet, State Street Investment Management, Barclays. Data as of 1/21/2026 unless otherwise noted.

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Diversification does not ensure a profit or guarantee against loss. It is not possible to invest directly in an index. Index performance does not reflect charges and expenses associated with the fund or brokerage commissions associated with buying and selling a fund. Index performance is not meant to represent that of any particular fund.

The views expressed in this material are the views of Christine Norton and Dane Smith through the period ended January 22, 2026 and are subject to change based on market and other conditions.

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Equity securities may fluctuate in value in response to the activities of individual companies and general market and economic conditions.

Companies with large market capitalizations go in and out of favor based on market and economic conditions. Larger companies tend to be less volatile than companies with smaller market capitalizations. In exchange for this potentially lower risk, the value of the security may not rise as much as companies with smaller market capitalizations.

Investments in small-sized companies may involve greater risks than in those of larger, better known companies.

Commodities investing entail significant risk as commodity prices can be extremely volatile due to wide range of factors. A few such factors include overall market movements, real or perceived inflationary trends, commodity index volatility, international, economic and political changes, change in interest and currency exchange rates.

Asset Allocation is a method of diversification which positions assets among major investment categories. Asset Allocation may be used in an effort to manage risk and enhance returns. It does not, however, guarantee a profit or protect against loss.

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Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.

Increase in real interest rates can cause the price of inflation-protected debt securities to decrease. Interest payments on inflation-protected debt securities can be unpredictable.

There are risks associated with investing in Real Assets and the Real Assets sector, including real estate, precious metals and natural resources. Investments can be significantly affected by events relating to these industries.

Investing in foreign domiciled securities may involve risk of capital loss from unfavorable fluctuation in currency values, withholding taxes, from differences in generally accepted accounting principles or from economic or political instability in other nations. Investments in emerging or developing markets may be more volatile and less liquid than investing in developed markets and may involve exposure to economic structures that are generally less diverse and mature and to political systems which have less stability than those of more developed countries.

Generally, among asset classes, stocks are more volatile than bonds or short-term instruments. Government bonds and corporate bonds generally have more moderate short-term price fluctuations than stocks, but provide lower potential long-term returns. U.S. Treasury Bills maintain a stable value if held to maturity, but returns are generally only slightly above the inflation rate.