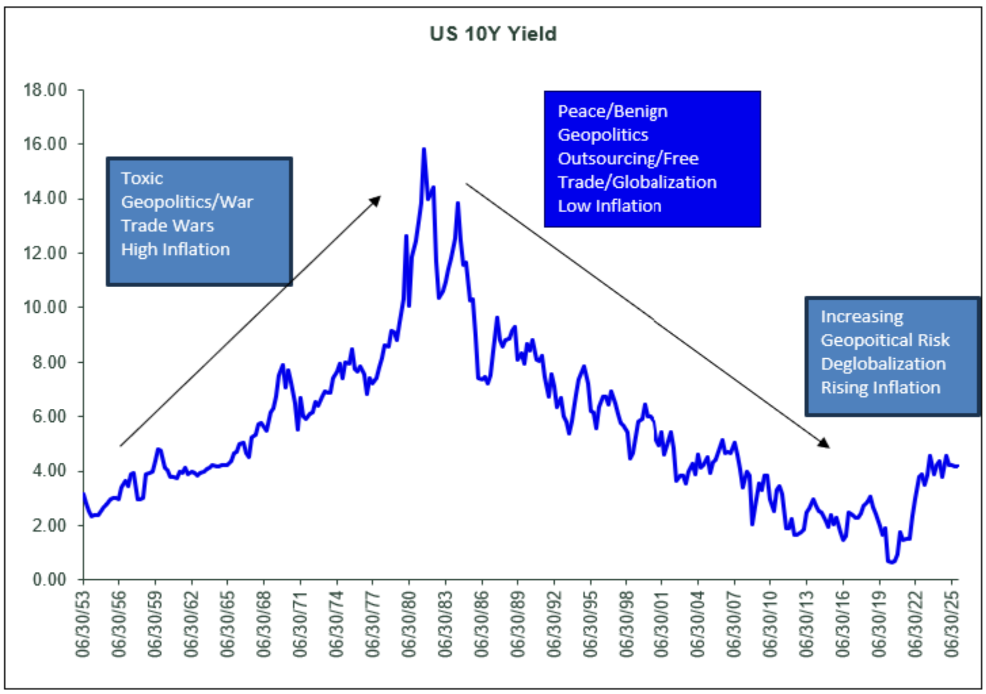
COMMENTARY
January 29, 2026

Mind on the Market

Chart of the Week



Source: FactSet. Data shown quarterly from 6/30/1953 to 12/31/2025.

We are all familiar with Mark Twain's quote, "History doesn't repeat itself, but it often rhymes." Today's market regime increasingly appears to be reverting to an era more similar to the 1960's and 70s, when geopolitics played a much more influential role. Understanding the drivers and implications of these shifts, including for active managers that rely on stock picking, can be incredibly important. Long-term trends are often obscured by the news cycle and short-term volatility, heightening the challenges of portfolio positioning during transitionary periods.

Contact

Paul Nestro, CFA®
Director of Fundamental Growth and Core
Equity Research

Weekly Highlights

10Y UST Yields Trended Higher for	10Y UST Yield Trough in 1940	10Y UST Yield Peak in 1981
41 years	2.0%	15.8%

Source: FactSet, UpMyInterest Series.

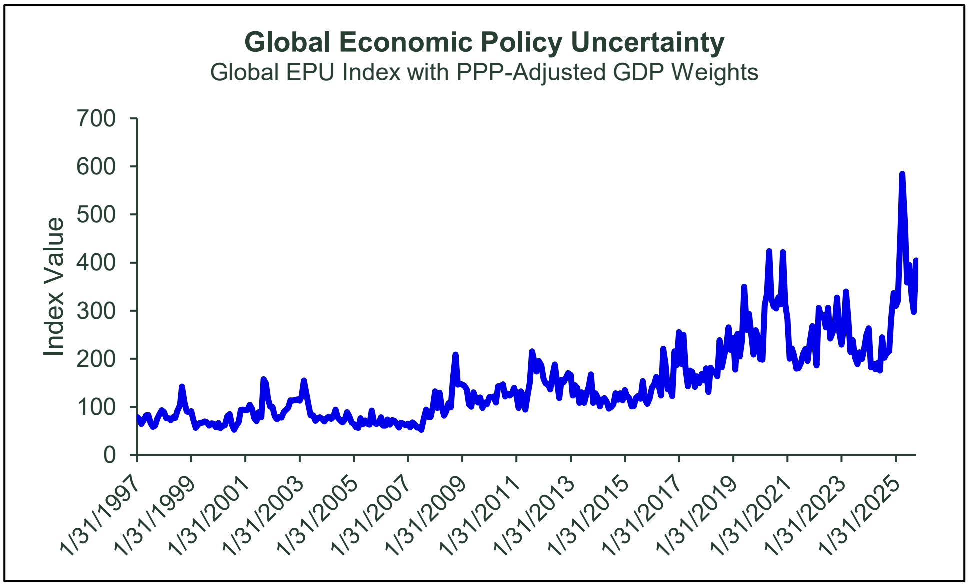
Unlocking History's Mysteries

At a State Street Investment Management research offsite in October 2023, a chart of 10 year U.S. government bond yields dating back to 1962 was presented. Inflation in 2022 was of course "the" topic, with the highest CPI reading since the late 70's and early 80's, when 10-year yields peaked at just under 16%, the highest in U.S. history. The key question was whether the recurrence of inflation was simply a result of "transitory" factors from COVID (stimulus checks, supply chain disruptions, labor supply issues, etc.) or whether something more insidious was at work driving a structural shift. There was particular concern around the impact from rising rates on growth stocks, as investors would be less willing to pay higher valuations for future earnings (a higher discount rate on future earnings reduces the value of those earnings today).

Also noticeable was that, similar to the prior cycle of rising rates, geopolitics began moving to center stage. Just as Japan's rise in the 1960's and 1970s precipitated a trade war, China's rise on the world stage of influence was being exacerbated by COVID's unveiling of the US's dependence on China for manufacturing. Both periods also show the US struggling with growing trade deficits. The early seeds of this shift predate President Trump's trade-war actions and Greenland claims. They include President Biden's CHIPS and Science Act in 2022, rising European nationalism beginning with Brexit in 2016, and the growing U.S. backlash against NAFTA and other trade agreements since COVID. A movement for reshoring and globalization began to take hold, marking a shift from the free trade, largely peaceful period from 1980-2020 that was characterized by lower inflation and lower rates. This era appears to be over, and the important question is, " What era does the next cycle rhyme with?".

The U.S. Treasury framework may be an interesting place to start. While there are many unique factors in each period driving rising and falling yields, the persistence of the trends is striking, each lasting roughly 40 years. Yields rose gradually in the 40s and 50s from a 10Y yield low of 2.09% in 1940 to the peak 41 years later in 1981. Another 40-year cycle ensued on the downside when yields bottomed in 2020. It raises the question of whether we are in the early stages of another cycle of rising yields.

Currently, global economic policy uncertainty is at very elevated levels compared to the broader index history.



Source: MacroBond, Economic Policy Uncertainty Index. Data from 1/31/1997 to 10/31/2025.

Though it was less obvious before President Trump's election win, his recent actions serve to cement the notion that geopolitics is a preeminent consideration for investors. Additionally, AI will only amplify the rhetoric, with implications for defense, job creation/ destruction, and increasing demand for energy and raw materials. Incredibly, Canada's Globe and Mail reported recently that it's military has modeled how it would respond to a US invasion, something recently unthinkable. Again, the world is deglobalizing and trade is shifting with it.

Does increasing geopolitical uncertainty necessitate rising treasury yields, similar to past cycles? Most investors today would ascribe a very low probability of 10-year yields approaching double digits, let alone high single digits, yet even inflation in Japan, nonexistent for decades, is pushing yields on long dated JGB's to new highs with increasing volatility. Moreover, Prime Minister Sanae is pushing for higher fiscal spending that will only increase the country's high debt levels. This backdrop highlights the earlier notion of a larger trend shift that investors may be missing or at least underestimating, making it worthwhile to highlight a playbook to potentially gravitate to if these trends continue.

Let's examine what happened in markets in the last yield cycle beginning in the 1940's up until 1980, particularly in the 60's and 70's when geopolitics, trade and inflation were key issues.

When rates rose gradually from very low levels in the 40's, until mid-60's, equities did extremely well, while gold and bonds produced negative returns. When inflation began to increase and rates rose more precipitously until their peak roughly 15 years later, equities and bonds struggled with only gold producing a positive return. Interestingly, during this period, budget deficits and debt/GDP levels were quite low, unlike today. Markets were concentrated then too, with technology and growth stocks performing well. Hewlett-Packard delivered the highest return during this period. Energy and natural resources, consumer staples and utilities also performed well, but most sectors underperformed. Will today's markets rhyme?

Predicting the future is inherently difficult, but history offers valuable precedents for many of the structural shifts we are witnessing. While it cannot deliver certainty, the past provides a useful framework to guide decision making in an increasingly complex investment landscape. If nothing else, today's elevated uncertainty suggests that active managers who can contextualize these large scale transitions may be better positioned to outperform their benchmarks.

At the macro level, the prospect of yield curve steepening adds another dimension to the opportunity set. A steeper curve can introduce meaningful dispersion across sectors and balance sheets, which may further amplify the potential advantages of skilled active managers able to navigate interest rate sensitivity and capital structure dynamics. At the same time, the role of gold and other precious metals as diversifiers has become increasingly important. In an environment marked by policy uncertainty, fiscal expansion, and shifting inflation expectations, these assets can serve as a stabilizing element within multi asset portfolios.

Looking ahead, these evolving dynamics may also rekindle the longstanding debate between active and passive management. As macro forces grow more influential and dispersion within and across sectors increases, conditions could become more favorable for stock pickers who can identify durable growth drivers, manage valuation risk, and distinguish between structural winners and cyclical beneficiaries. Although growth equities have historically performed well in similar forward looking environments, the path ahead may reward managers who emphasize fundamentals, discipline, and balance—particularly those who incorporate a GARP oriented approach that blends sustainable growth with reasonable valuations.

Source: FactSet, State Street Investment Management. Past performance is not a reliable indicator of future performance.

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* This figure is presented as of December 31, 2025 and includes ETF AUM of $1,950.80 billion USD of which approximately $173.02 billion USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Investment Management are affiliated. Please note all AUM is unaudited.

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