

## Portfolio Changes

### Model Changes:

- Added IEMG 3%, IVV 5%, XME 0.5%, XBI 1%
- Sold PPA 2.5%, XLV 2%, SCHG 10%, URNM 2%, XLK 3%, EWY 2%, XLRE 2%,
- Trimmed ETHA 1%, SPMD 1%
- Bought FLBR 1.5%, KWEB 2%, SMIN 1%, BLOK 2%, THIR 8.5%, ITB 3%

## Drivers of Portfolio Changes

- Adjusted core positions closer to base.
- Extending EM exposure as we enter the final leg of dollar devaluation which has a positive impact on EM performance.
- Trimmed some higher beta positions that are now becoming consensus as positive policy dynamics are widely accepted.
- Maintain some defensive yield sensitivity if yields surprise to the downside driven by a dovish tilt from the incoming FED chair.
- Model Yield 2.85%
  - Bond Yield – 4.7%, Effective Duration 5.3

## Current Economic Highlights

- Personal consumption 2.7% YoY vs 2.6% prior revised (Dec 25).
- Headline retail sales 3.3% YoY vs 3.3% prior revised (Nov 25).
- Retail Sales control group up 5.1% YoY vs 4.7% prior revised (Nov 25).
- Industrial production 2% YoY vs 2.7% prior revised (Dec 25).
- The unemployment rate was down to 4.4% vs 4.5% prior revised (Dec 25).
- Aggregate Hours worked 0.7% YoY vs 0.9% prior revised (Dec 25).
- Aggregate labor income 4.3% YoY vs 4.4% prior revised (Dec 25).
- Total employees on non-farm payrolls 0.4% YoY vs 0.5% prior (Dec 25).
- ISM manufacturing PMI up to 47.9 vs 48.2 prior (Dec 25).
- ISM Services PMI down to 54.4 vs 52.6 prior (Dec 25).
- Core PCE was 2.8% vs 2.7%, revised the previous month (Nov 25).
- Q3 2025 GDP 2.3% YoY vs 2.1% YoY in Q2 2025  
4.4% QoQ vs 3.8% QoQ in Q2 2025

## Forecast

- The first quarter should have further tailwinds from implications from the government reopening that will juice growth above consensus which is already expected to be quite positive.
- Earnings should accelerate more broadly across the market cap spectrum which should bode well for equities in the first half of the year.
- Expect bouts of volatility every now and then which are likely short lived if the underlying economic and liquidity regimes continue to remain supportive.
- Policy should continue to remain supportive with the mid-terms later this year and expect more policy initiatives that appeal to a broader audience, especially with respect to rates and incentives.
- Implications of the tax bill should be accommodative to both individuals and corporations alike as tax season approaches for individuals and be a boost to financial statements for corporations that are supportive of consumption in the first half of the year.