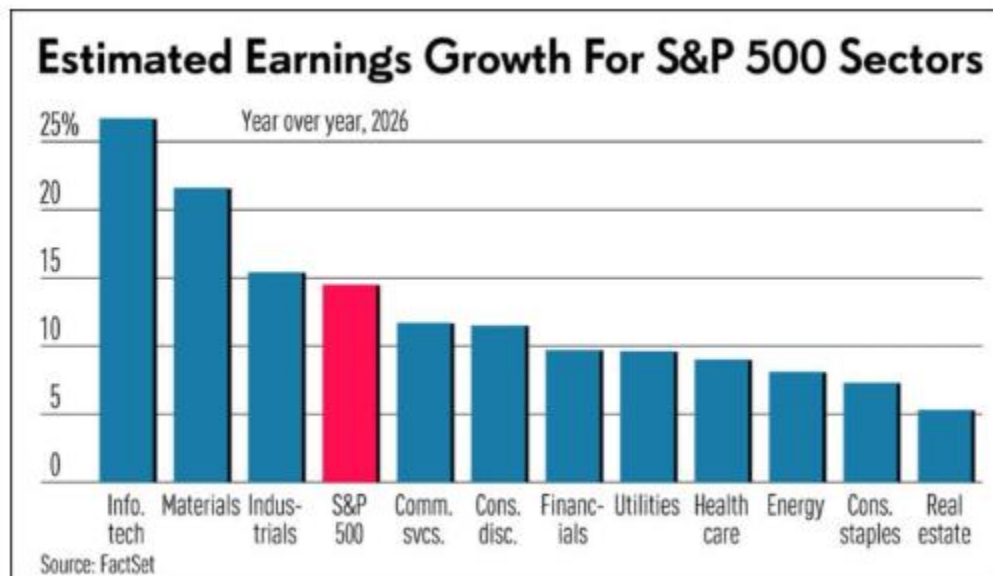


Outlook looking positive: As we launch into 2026, the major market averages closed out a third consecutive year of double-digit gains. Looking ahead into 2026, the estimated EPS growth for the S&P 500 is ~15%, nearly double the typical 7-9% per year. According to LPL Research via Investor's Business Daily, since 1950 the S&P500 has averaged nearly +13% during the 4th year of a bull market and returns have been positive six out of the seven times during a 3-year bull market run.



Source: 2026 Stock Market Forecast: Can The Bull Keep Up Its Run? | Investor's Business Daily

But Elevated Volatility appears likely: According to research by my colleague, CJ Brott, there is an institutional survey that was conducted by Bespoke that found expectations for a higher market in 2026. Further every strategist polled by Bloomberg expects gains in 2026 with an average of +9%. Given the lack of diversity in viewpoints, concentration can ensue and surprises are often the result. Geopolitics alone can deliver unpleasant surprises and the capture of Venezuelan President Nicolas Maduro over the weekend emphasizes that point. President Trump's comments about potential action in other places such as Cuba, Mexico, and Columbia raises risks of further geopolitical risks with how China decides to resolve tensions with Taiwan. In addition, policy risks on the horizon include the Fed, Congressional budgeting, and a Supreme Court ruling on tariffs. Funding for the Affordable Care Act has still not been resolved. Nine government funding bills are still pending before Congress. While President Trump has suggested US oil majors could invest \$billions to revive Venezuelan oil production, US Energy Secretary Wright has yet to have an initial meeting with oil company executives. President Trump is expected to name a Fed Chair successor sometime this month with Hasset the betting markets favorite.

As I have referenced before, I believe that the key tailwind for 2026 is the buildout in AI and AI infrastructure. New large language models (LLM) are expected early this year with OpenAI expected to release “Garlic” and Meta expected to release “Avocado” and “Mango” in an effort to compete with Alphabet’s “Gemini.” The annual CES show in Las Vegas is scheduled for this week where Nvidia CEO Jensen Huang is scheduled to give a keynote speech late today on what is ahead for AI in areas such as automation, robotics, autonomous driving. The spending is enormous by any measure with estimates of total spend of \$2Trillion for 2026 per Copilot.

AI infrastructure capex scenarios, 2024–2030

(Global, annual, rough order of magnitude ranges in USD)

Year	Low case	Base case	High case
2024	\$220B	\$280B	\$340B
2025	\$280B	\$380B	\$480B
2026	\$340B	\$500B	\$650B
2027	\$380B	\$560B	\$750B
2028	\$420B	\$620B	\$850B
2029	\$450B	\$650B	\$900B
2030	\$480B	\$700B	\$950B

What this is anchored to:

- Total data center capex is forecast to grow from about \$430B in 2024 to around \$1.1T by 2029, with AI as the main driver.
- AI infrastructure hardware (compute + storage) alone is projected to exceed \$200B annually by 2028.
- Total AI spending (software + services + infra) is expected to reach about \$1.5T in 2025 and over \$2T in 2026.

The table assumes AI specific infrastructure becomes an increasing share of total data center capex—roughly:

- **Low case:** leveling in the mid 30% range of total data center capex by 2030.
- **Base case:** rising toward ~40–45%.

- **High case:** pushing toward ~50%+ if the “AI super cycle” fully materializes and power/grid constraints ease.

Source: <https://copilot.microsoft.com/chats/gtdJBbLgbwVCvMxWqY8hE>

Summary: Many institutional investors headed home for the New Year’s holiday so trading quieted down. The **S&P500** was -1.0% lower. The **DJ Industrial Average** fell -0.67%, and the **Nasdaq Composite** pulled back -1.53%. The **equal-weighted S&P500 (RSP)** fell -0.5% for the week and the small caps **Russell 2000 (IWM)** fell -1.05%. Notable leaders included **Micron Technology (MU)** which rose for the 6th consecutive week, jumped +10.8%, **Taiwan Semiconductor (TSM)**, +5.5%), **Vertiv Holdings (VRT)**, +4.8%), and data center A/C play, **Comfort Systems (FIX)** climbed 4.1%. On the downside, AI software play, **Palantir Technologies (PLTR)** was pummeled -11.1% and cybersecurity names were hit with names such as **CrowdStrike (CRWD)** dropping -5.7% and **CyberArk (CYBR)** pulling back -4.3%. Bellwether stock **Nvidia (NVDA)** fell -0.9%.

Sectors were mostly lower. Energy (XLE) led with +3.3% and Semiconductors (SMH, +2.0%) gained. **Software (IGV)** was notably lower (-5.1%). Mag 7 stocks fell as a group (MAGS, -3.9%) paced by weakness in Tesla (TSLA, -7.9%). Alphabet (GOOGL, +0.5%) was the only gainer.

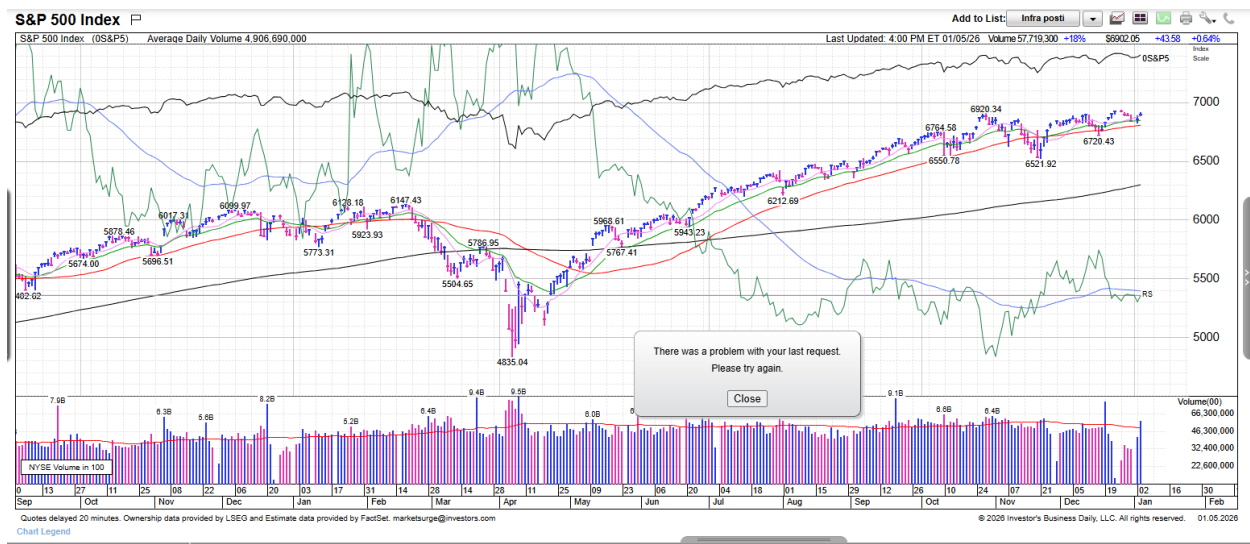
The S&P500 and Nasdaq both have their moving averages stacked in the proper positions for a power trend to kick into gear.

The odds of a Fed rate cut for January 28 remains weak with odds at just 17% (see FedWatch - CME Group) for a cut. Decisive odds of rate cut remain well out in the future with June 17 meeting (+84% up from 82% the prior week).

Stock Market Today/Week: Jan 2, 2026

Index	Level	Day change	Week Change
S&P 500	6,902.05	+0.64%	-1.03%
Nasdaq Composite	23,395.82	+0.67%	-1.52%
Dow Jones Industrial Avg.	48,977.20	+1.23%	-0.67%
US 10 year	4.19%		+5bps

Source: Factset



Source: **MARKET SURGE**
BY INVESTOR'S BUSINESS DAILY

Key events for the week ahead:

Very few earnings for the week ahead and none with significant market impact.

1/5/2026 ISM Mfr for Dec: 47.9 vs 48.7 est and 48.2 Nov. Jensen Huang, Nvidia CEO keynote speech at CES in Las Vegas.

1/6/2026 N/A

1/7/2026. JOLTS Job openings for Nov. Earnings: AZZ

1/8/2026 Initial jobless claims for W/E 1/3. Unit labor costs for Q3: +1.1% prelim. Productivity Q/Q for Q3 prelim: +3.3%. Earnings: GBX

1/9/2025 Housing starts SAAR for Oct: 1,325k expected. Non-farm payrolls for Dec: 60k vs 64k prior month. Hourly earnings for Dec y/y: +3.6%. Unemployment rate for Dec: 4.5% est.

Source: Factset

What to do now: Raising equity exposure gaining more conviction.

Appendix:

What kind of positive technical confirmations for a power trend per IBD ("Webby's rules"):

1. Follow through day (FTD)
2. Subsequent FTDs.
3. Close above 21-day exponential moving average (EMA).

4. Low above 21EMA.
5. 3 consecutive days with low above 21EMA.
6. Close above 50-day moving average (DMA).
7. Low above 50dma.
8. 3 consecutive days with low above 50dma.
9. Close above 200dma.
10. Low above 200dma.
11. 3 consecutive days low above 200dma.
12. 21ema moves above 50dma.
13. 21ema moves above 200dma.
14. 50dma moves above 200dma.

In the current rally as of 1/2/2026 all conditions met.

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