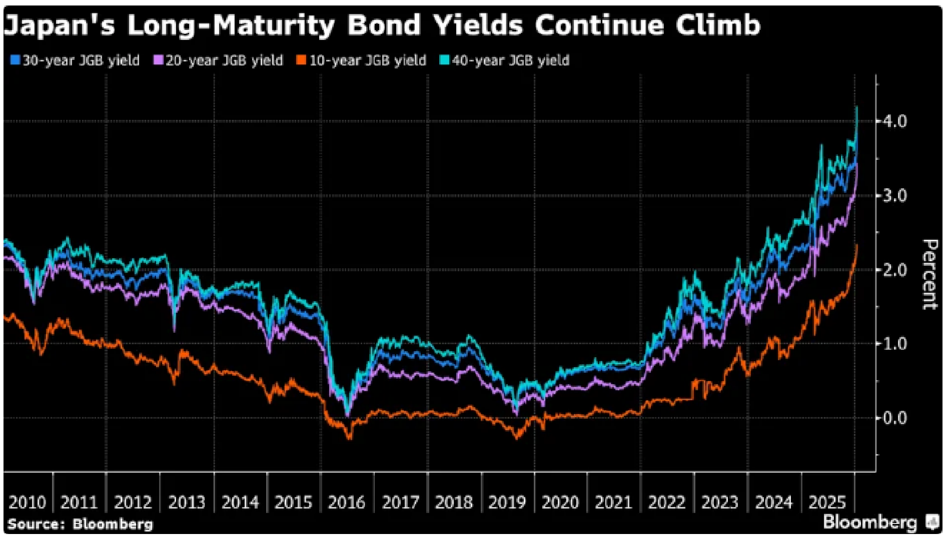
Well, the year has certainly started off with a bang! Last Friday, President Trump became meaningfully more aggressive regarding his desire for the United States to control Greenland. He has now vowed to institute escalating tariffs against multiple western European nations until "a deal is reached for the complete and total purchase of Greenland." Furthermore, surging Japanese bond yields have had negative ripple effects across the globe, likely driving selling pressure across U.S. stocks and bonds as the carry trade (borrowing in lower-yielding Yen to purchase U.S. assets) is unwound.



Both of these macro/political events have driven a sharp sell-off across U.S. stocks to start the week. While I generally favor discussing market fundamentals (i.e. corporate earnings, growth, capital spending, etc.) during these weekly notes, the macro and geo-political headlines have taken control of the narrative for the time being. With President Trump, along with other key business and political leaders, in Davos this week, investors are on high alert regarding the next breaking news item out of Switzerland.

The Supreme Court has yet to rule on the legality of President Trump's "Liberation Day" tariffs, which leaves a cloud of uncertainty hanging over this key economic policy that is costing U.S. businesses hundreds of billions in tariff duties annually. Should the Court ultimately deem these tariffs unconstitutional and illegal, that may bring some relief to American importers, although the administration will likely seek alternative legal measures to broadly impose tariffs.

Against this volatile macro backdrop, earnings releases are starting to kick into high gear. Over the coming days and weeks, we will receive quarterly updates from the largest and most consequential companies regarding their growth outlook and capital spending plans. I expect the key themes powering the current bull market to persist:

- Unprecedented levels of capital investment driving the AI infrastructure buildout will further accelerate
- Further profit margin expansion driven by productivity gains
- Revenue growth expected to remain strong across technology companies and other businesses (i.e. power generators, etc.) supporting the AI ecosystem
- Non-technology sectors (i.e. industrials) likely to show further fundamental strength as the current economic expansion broadens
- Earnings continue to broadly beat expectations, suggesting upside relative to estimates during the first half of 2026

Given this strong fundamental backdrop, I remain constructive overall despite some indigestion driven by geo-political headlines over the near term. The key secular tailwind fueling corporate profit growth and the current U.S. economic expansion – the hundreds of billions of capital investment driven by AI spending – is scaling quicky and likely to ramp further. I believe earnings growth of 15% for 2026, which is the current consensus estimate and roughly twice the historical average, is attainable, especially given that forecasts during the first half of the year may be too conservative in my view.

In short, while the short-term choppiness driven by political headlines is frustrating, I believe it shouldn't distract investors from the bigger picture regarding the market's strong underlying fundamentals and growth prospects.

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