



First Citizens Wealth™

# Making Sense

Market Update | January 2026



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Recorded on January 29, 2026

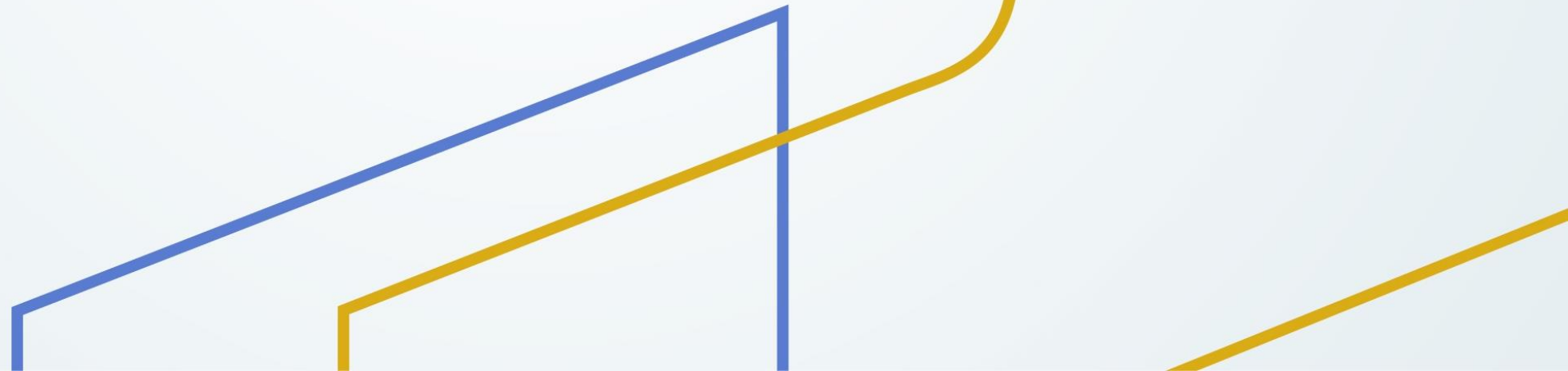
# What are we going to cover?

## 1. **Economic update:**

Growth expectations | Inflation & labor market | Consumer spending

## 2. **Market update:**

Equity markets | Valuations | Fixed income

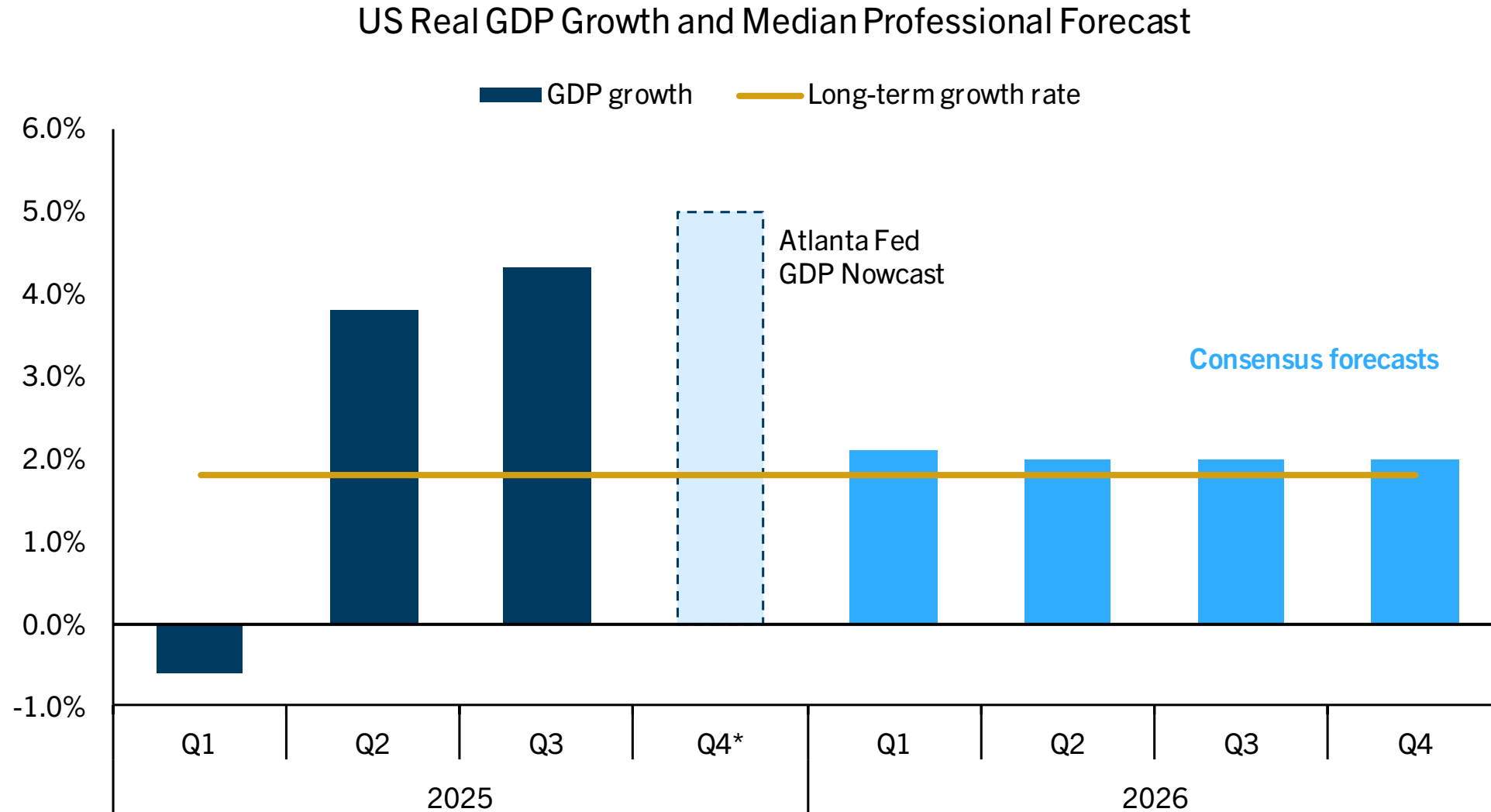


# Economic update

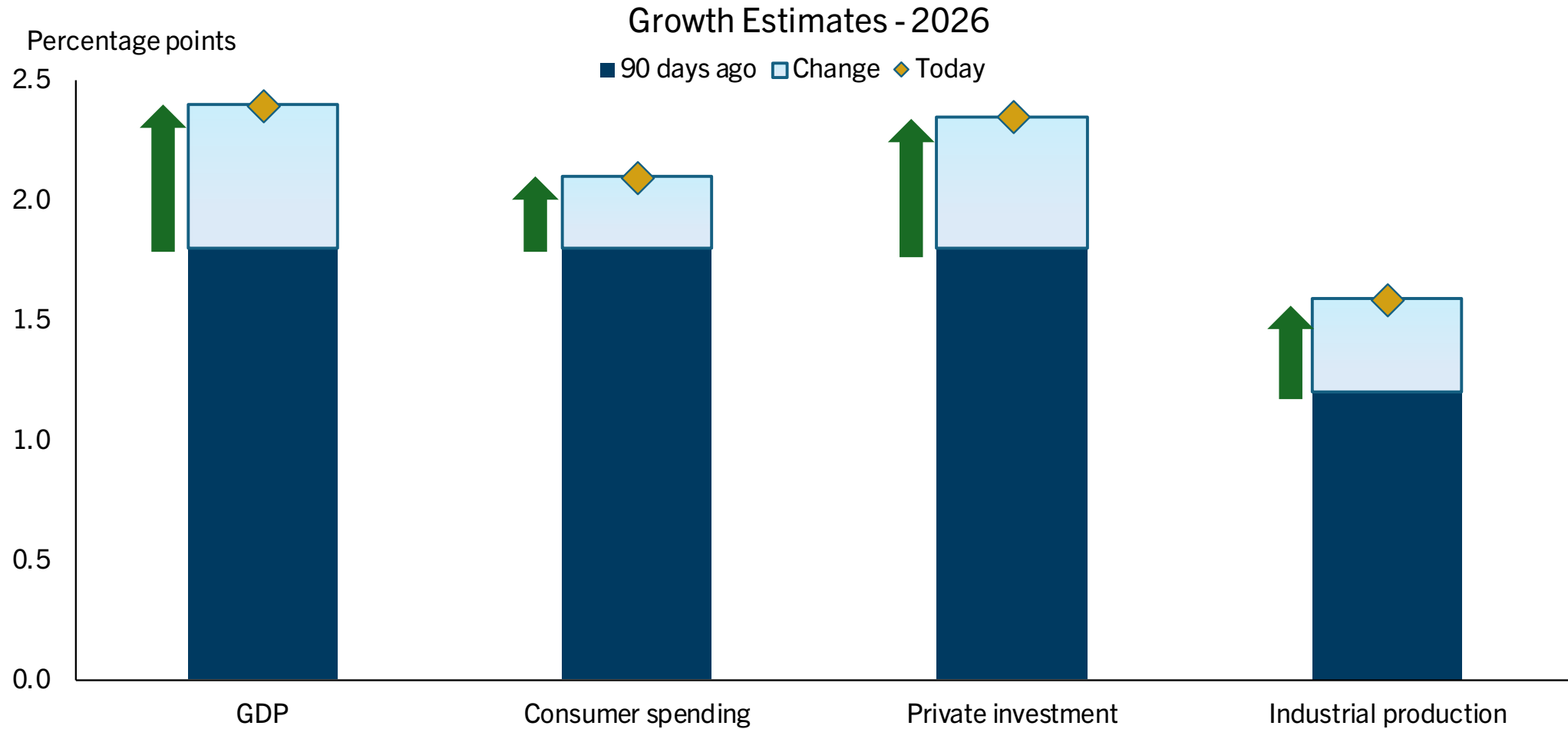


The background features a faint, stylized sun in the upper left quadrant. Overlaid on this are several geometric lines: a blue line that rises and then drops vertically, and two yellow lines that rise and then curve upwards at different points. A grey line also rises and then drops vertically on the right side of the image.

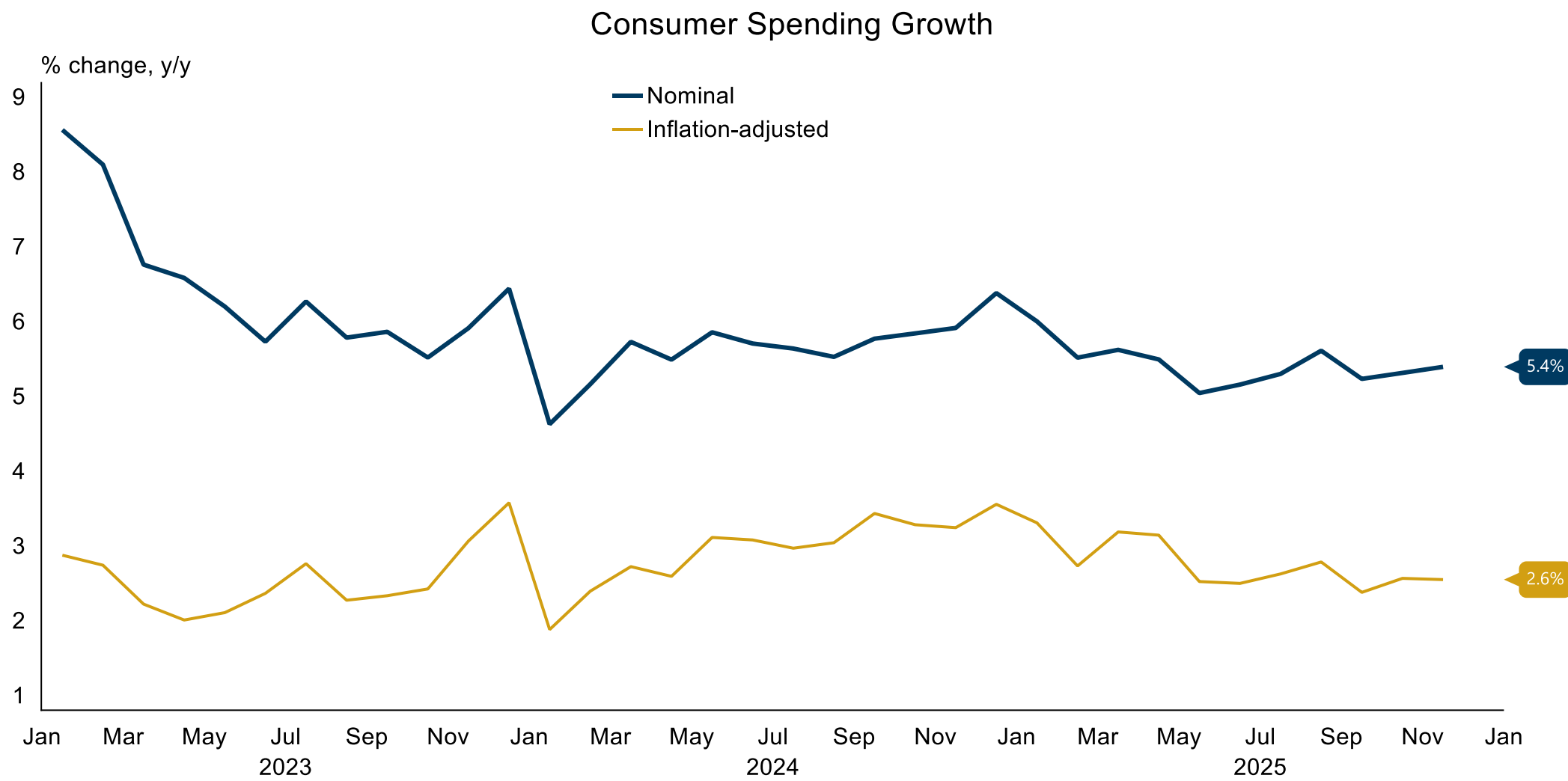
# Forecasters see no sign of the US economy slowing down



# Forecasters are increasingly optimistic about economic growth

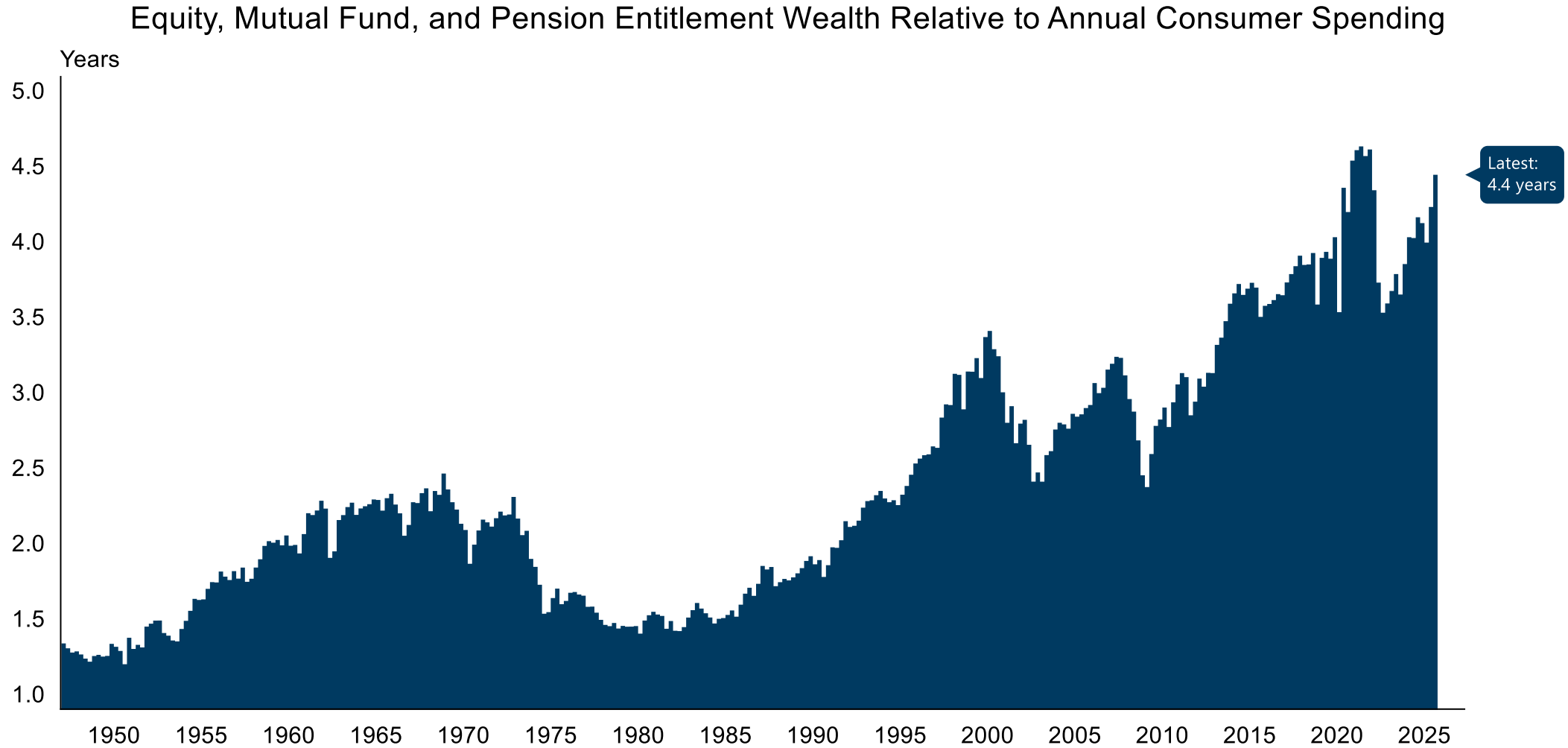


# Even after adjusting for inflation, household spending growth is firm



Source: U.S. Bureau of Economic Analysis (BEA), First Citizens Bank  
Data through November 2025

# Market gains have propelled household net worth to new highs



Source: Federal Reserve, U.S. Bureau of Economic Analysis (BEA), First Citizens Bank

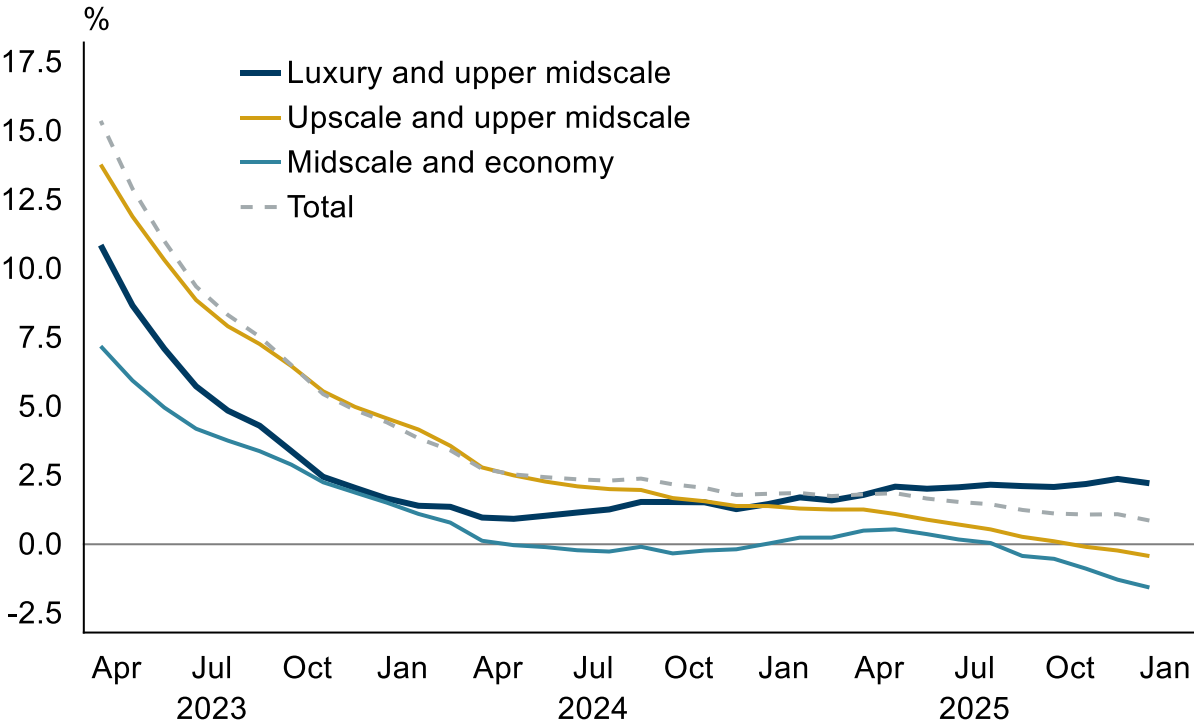
Data as of January 9, 2026

Note: "Stock market wealth" is an aggregation including corporate equities, mutual funds, and pension entitlements.

# Economy hotel room rates have softened while luxury hotels power higher

US Hotels: Average Daily Room Rate

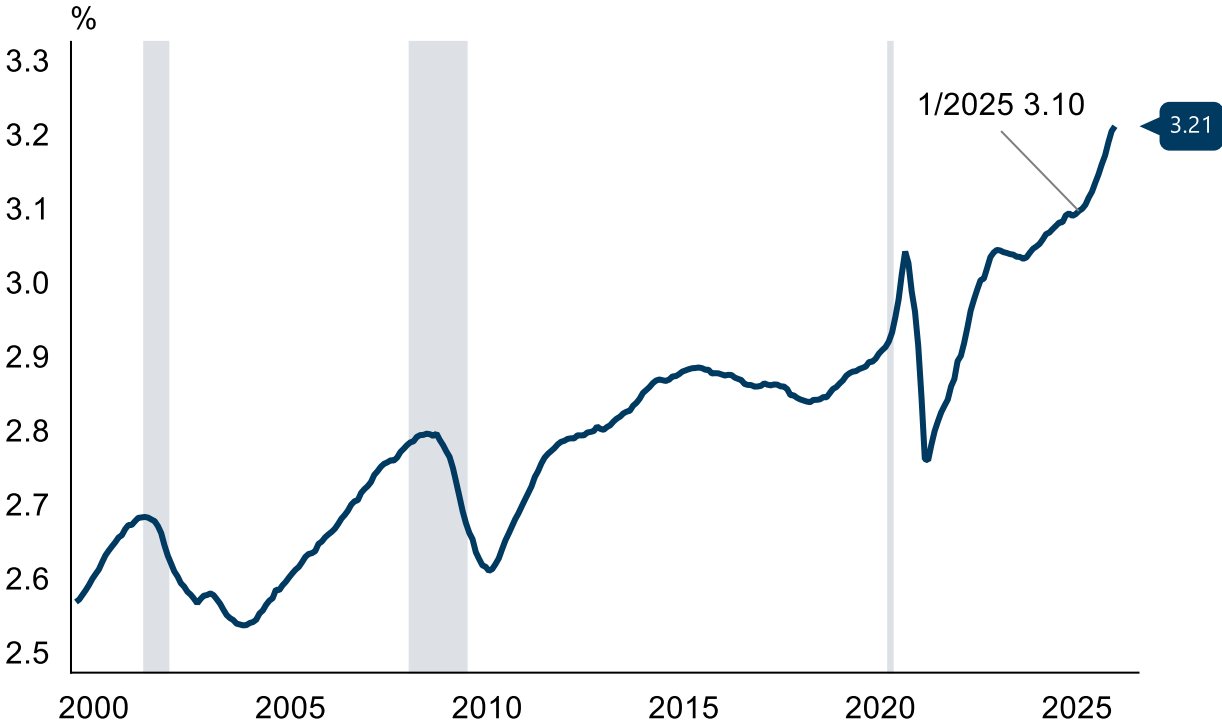
Price change vs 1 year ago



Source: Costar, First Citizens Bank  
Data as of January 6, 2026

US Hotels: Average Daily Room Rate

Ratio: Luxury rate / economy rate



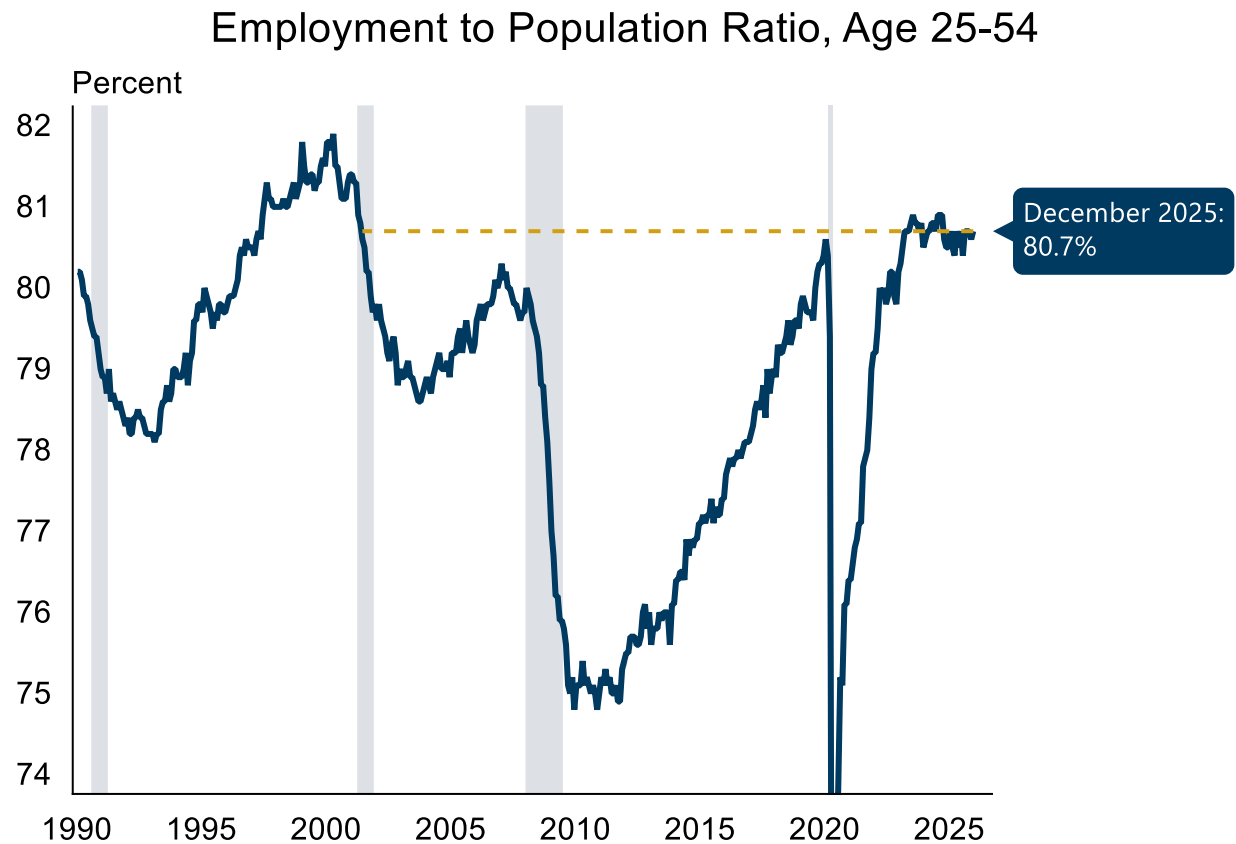
Source: Costar, First Citizens Bank  
Data as of January 6, 2026



# The unemployment rate is up, but the core working population still has a job

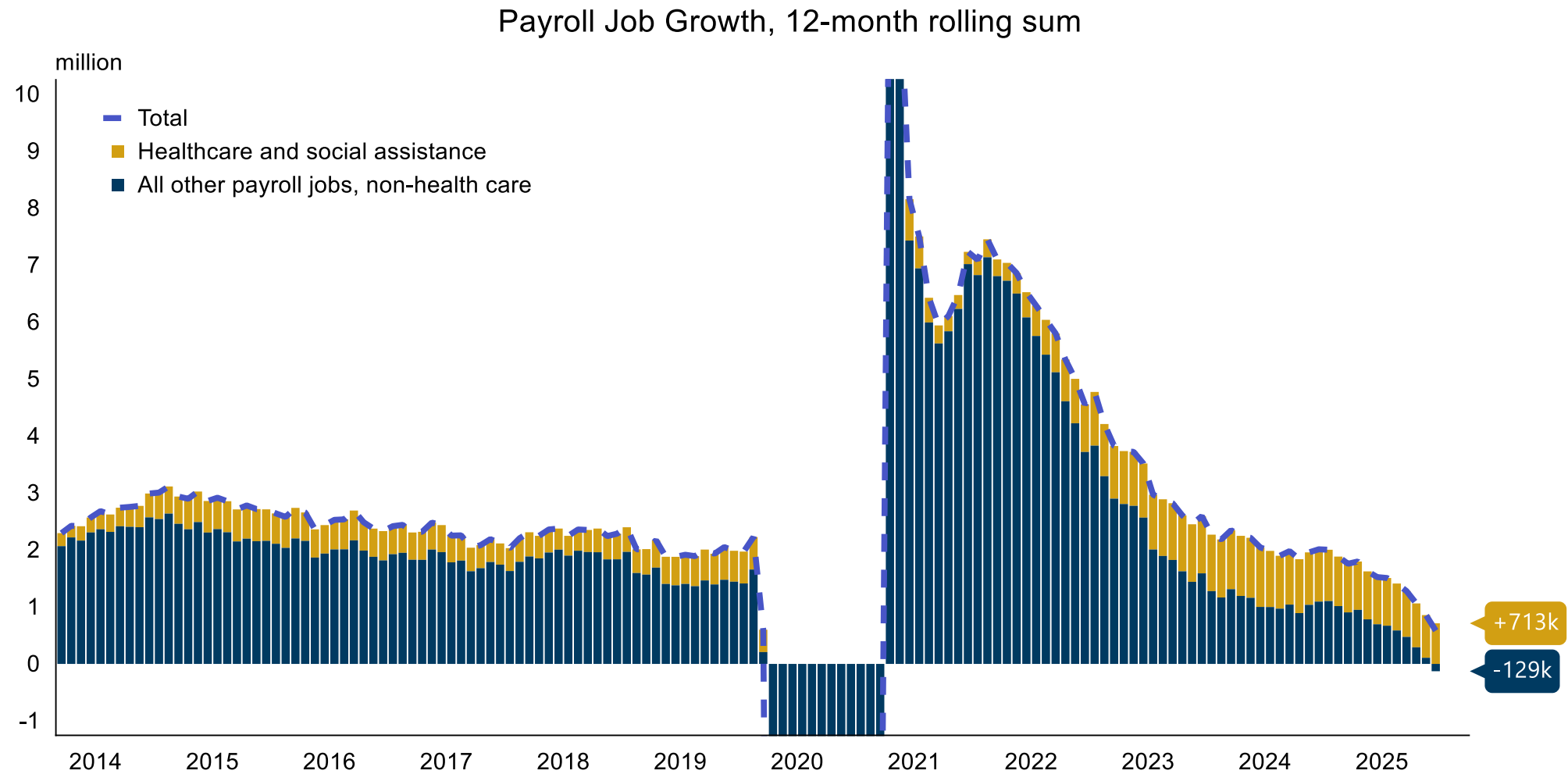


Source: U.S. Bureau of Labor Statistics (BLS), First Citizens Bank  
Data as of January 9, 2026



Source: U.S. Bureau of Labor Statistics (BLS), First Citizens Bank  
Data as of January 9, 2026

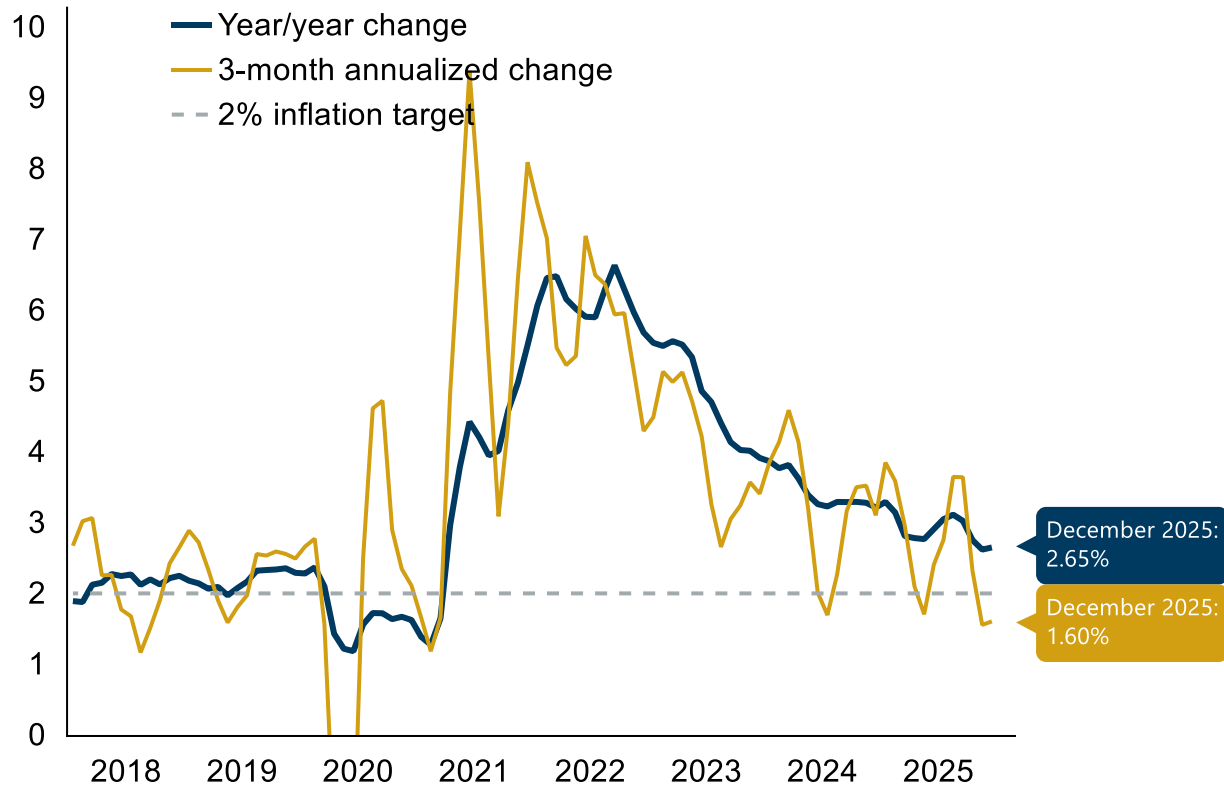
# Healthcare accounts for the entirety of net job growth in the past 12 months



Source: U.S. Bureau of Labor Statistics (BLS), First Citizens Bank  
Data as of January 9, 2026

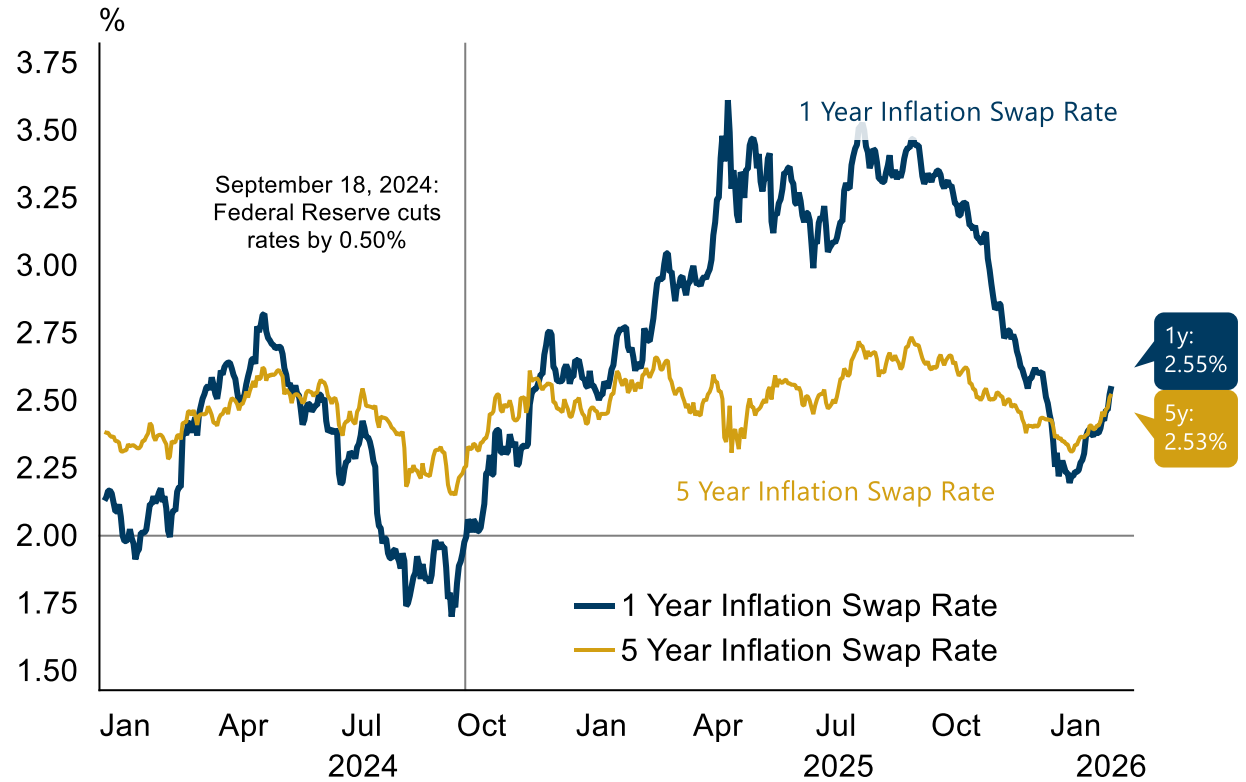
# Inflation rates – and inflation expectations – have moved lower

## Consumer Price Index (Core, ex-food and energy)



Source: U.S. Bureau of Labor Statistics (BLS), First Citizens Bank  
Data as of January 13, 2026

## Market Inflation Expectations



Source: Bloomberg  
Data as of 1/28/2026

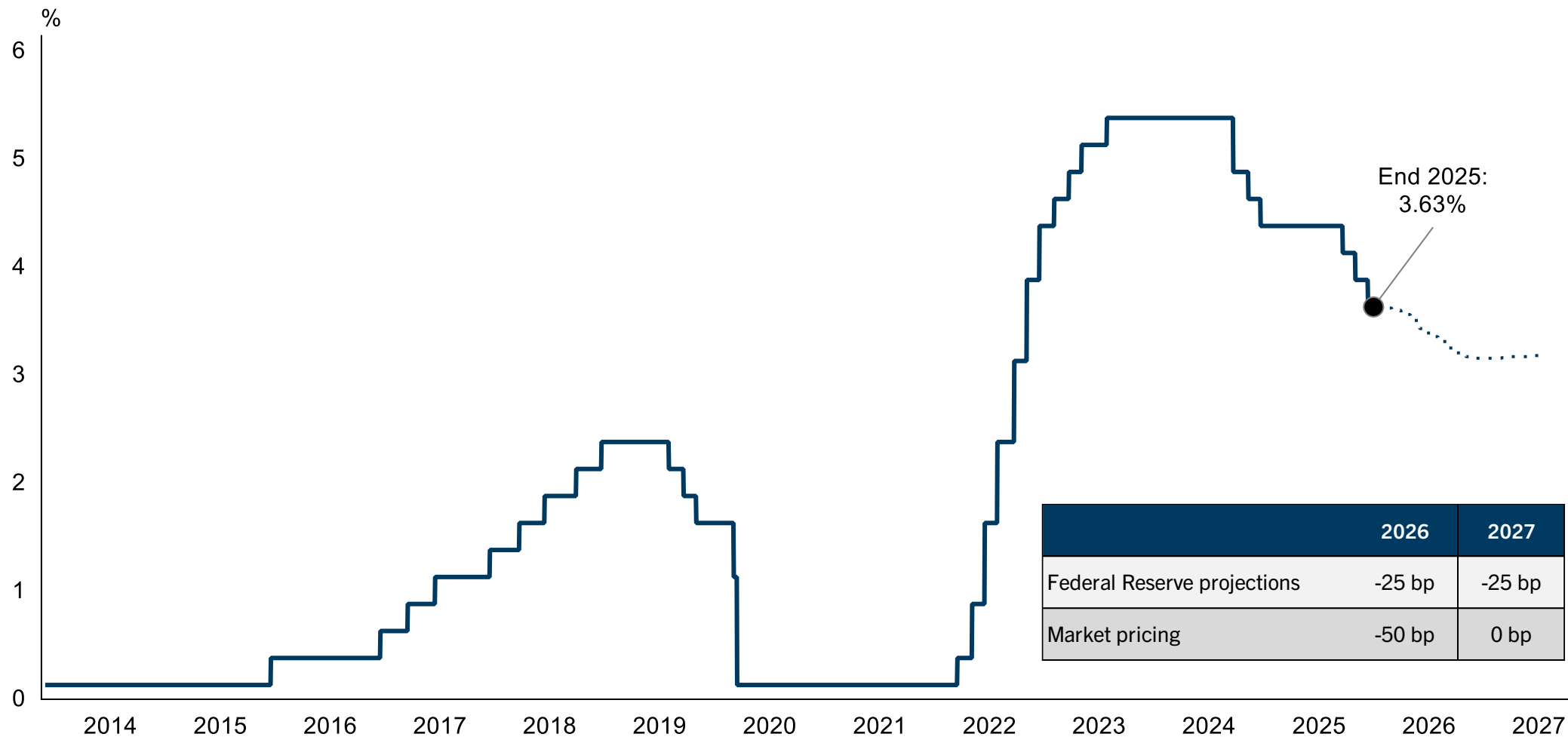
# Financial conditions are easy and likely supporting growth



Source: Goldman Sachs, First Citizens Bank  
Data as of 1/22/2026

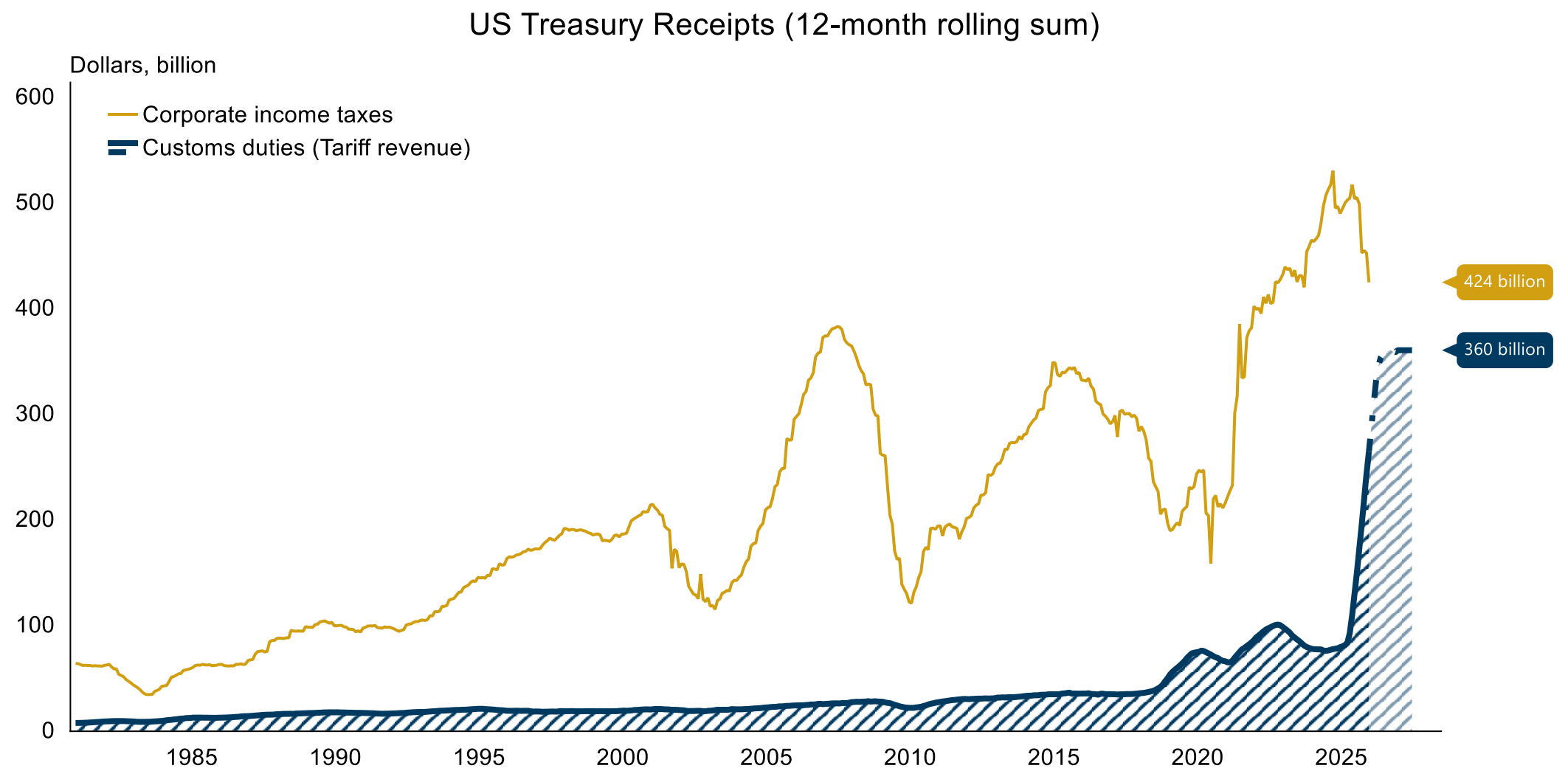
# Monetary easing is likely to be more modest in coming quarters

Federal Funds Rate and Market-Implied Path



Source: Federal Reserve, First Citizens Bank  
Data as of January 28, 2026

# Tariffs have not been terribly disruptive, but companies are paying billions



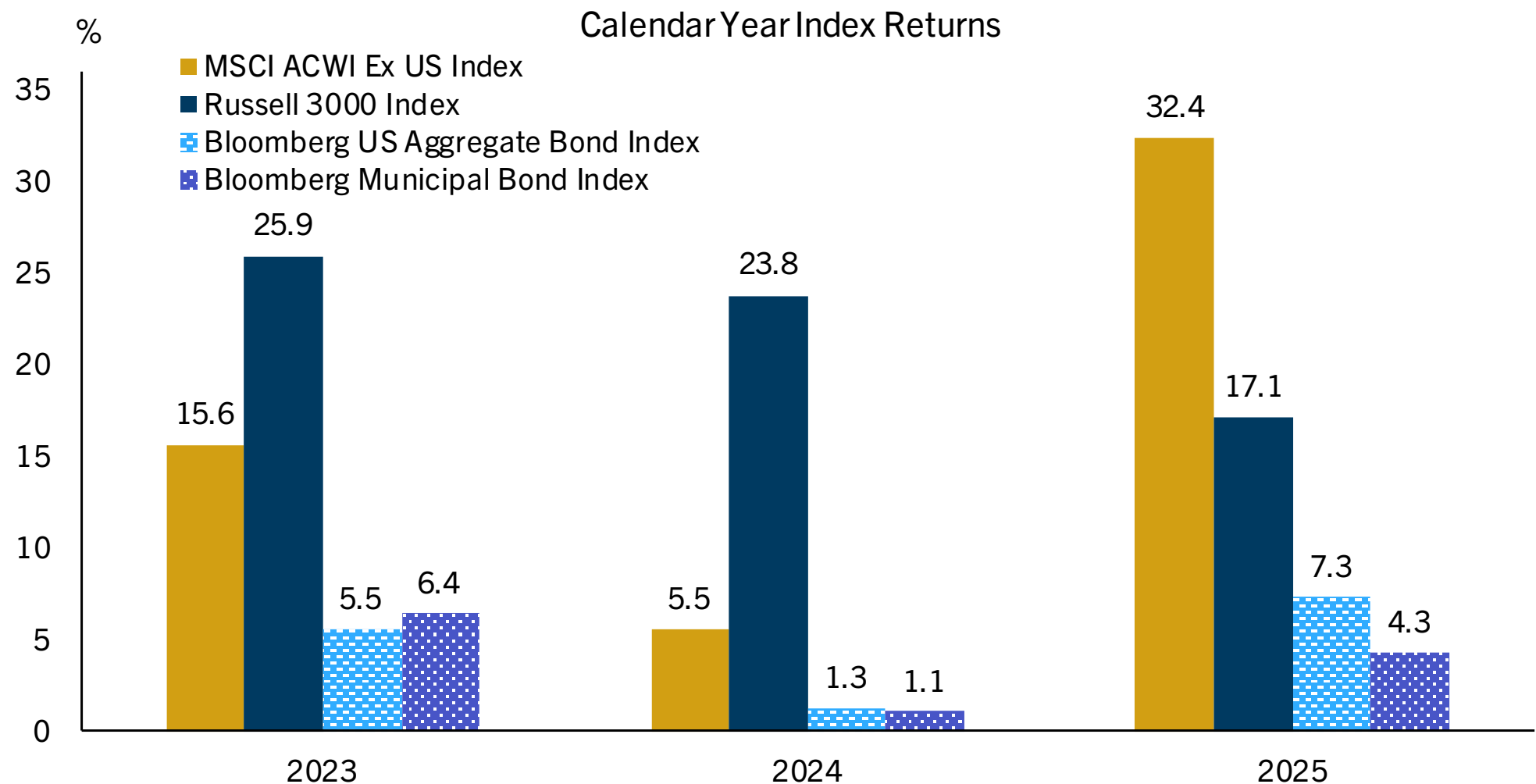
Source: U.S. Department of Treasury, First Citizens Bank  
Data as of January 13, 2026. 3-month average.

# Market update



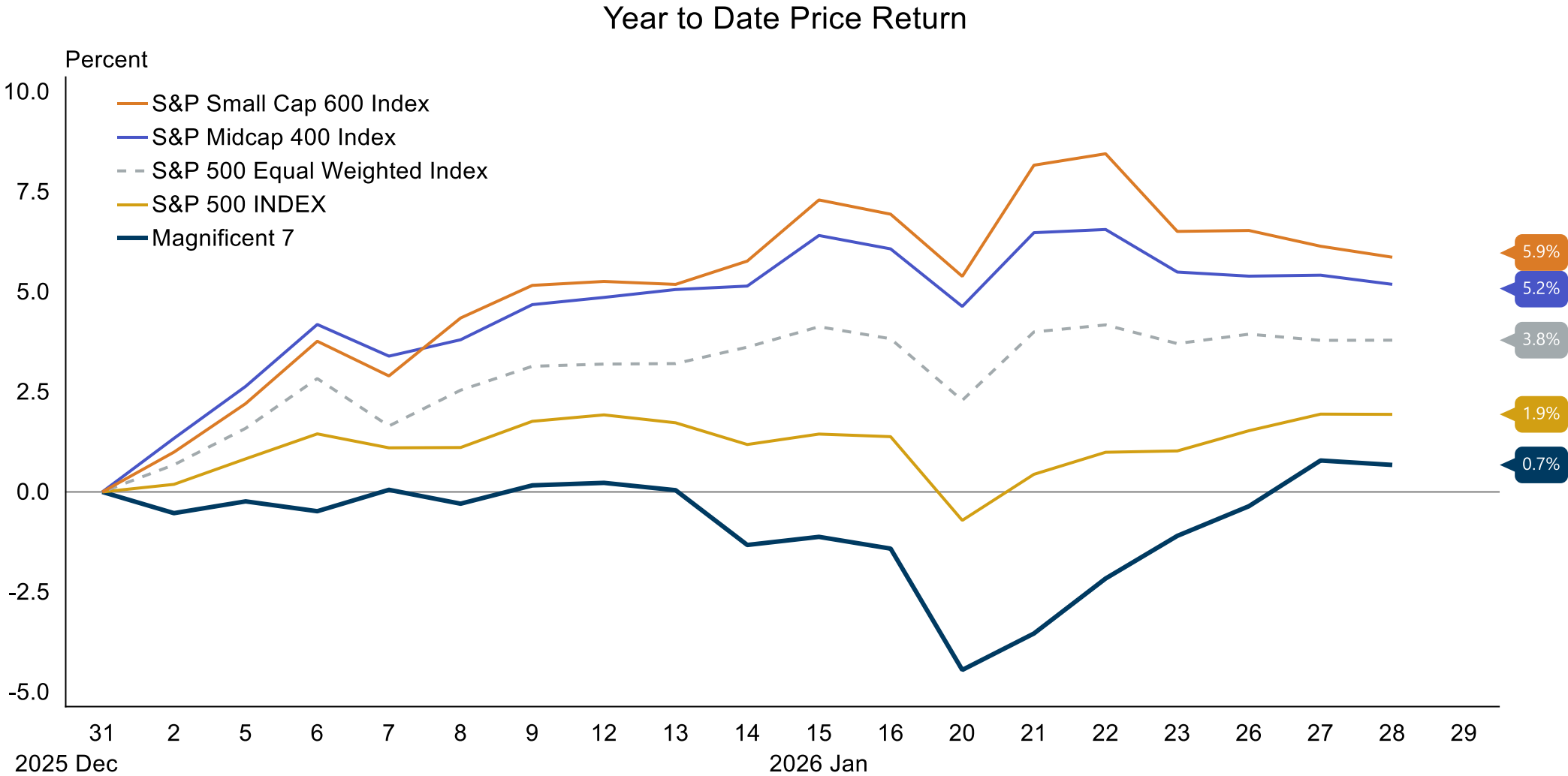
The background features a faint, stylized sun in the upper center. Overlaid on this are several geometric lines: a blue line that rises and then drops vertically, and two yellow lines that rise and then curve upwards. A grey line also rises and then drops vertically. These lines are positioned in the lower half of the slide, creating a sense of movement and growth.

# Global multi-asset portfolios had an exceptional 2025





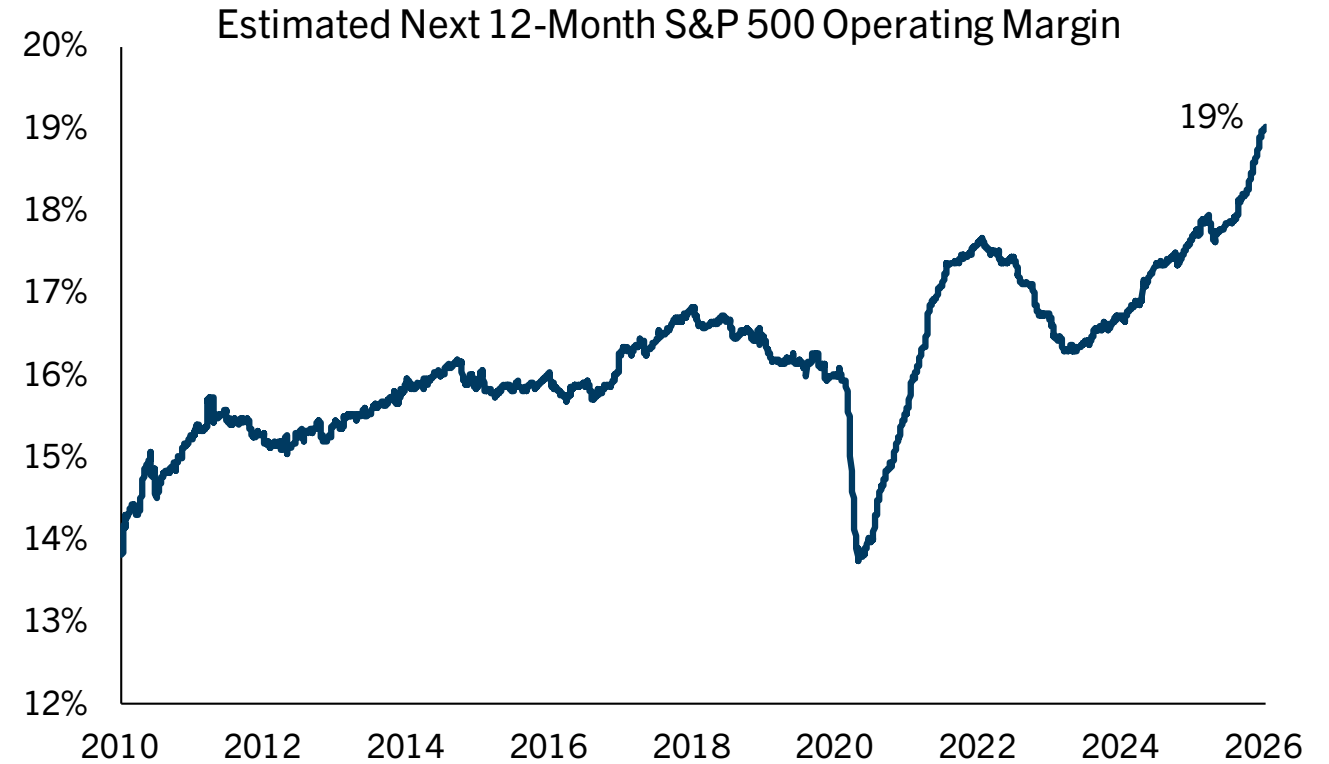
# Small cap equities are outperforming large cap year to date



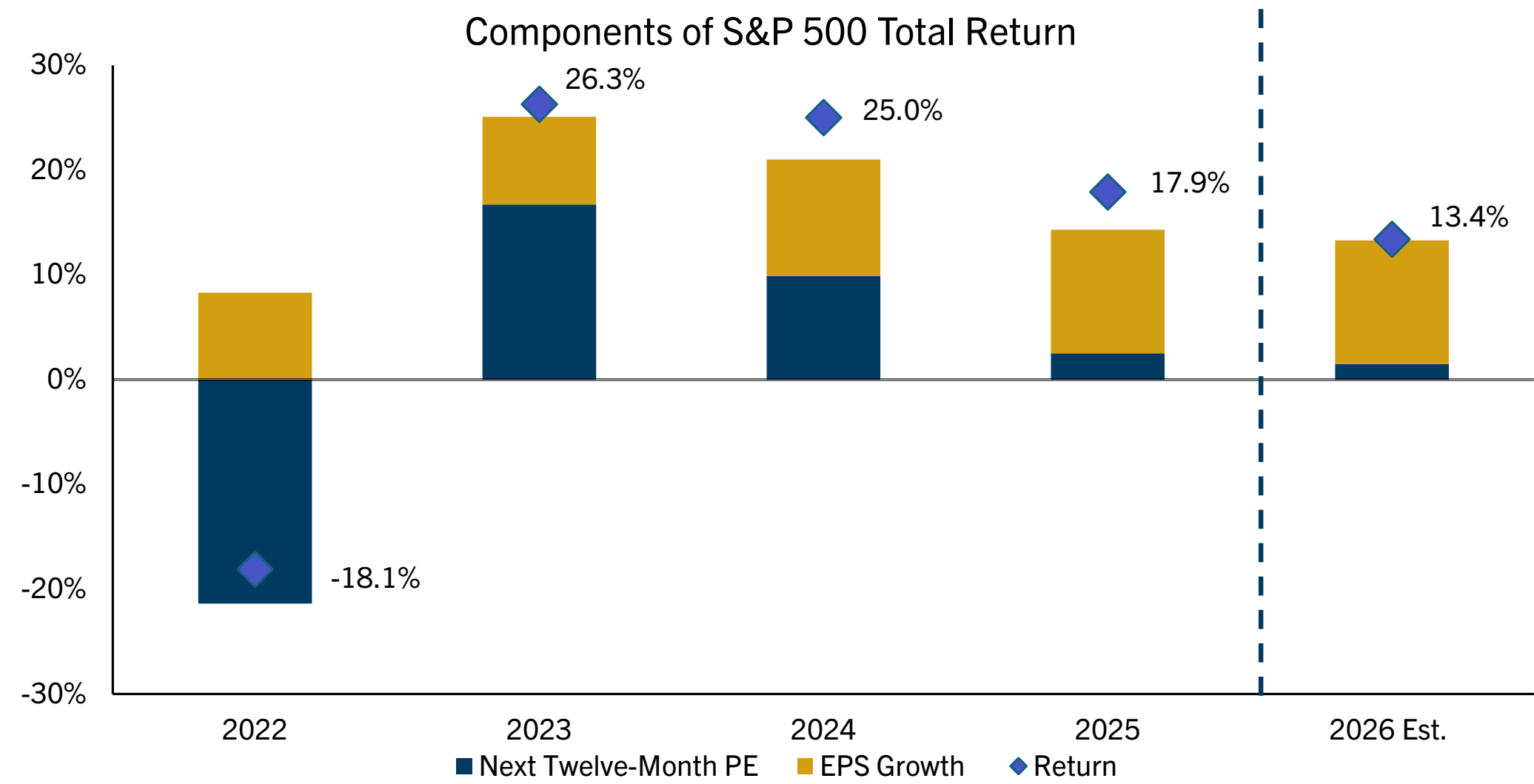
Source: Bloomberg  
Data as of: 1/28/2026

# Analysts expect corporate earnings and margin growth will be robust in 2026

- CY 2025 estimated growth is **12.4%**  
Q4 2025 estimated growth is **8.3%**
- CY 2026 estimated growth is **14.7%**
- Average growth since 1950 is **7.6%**

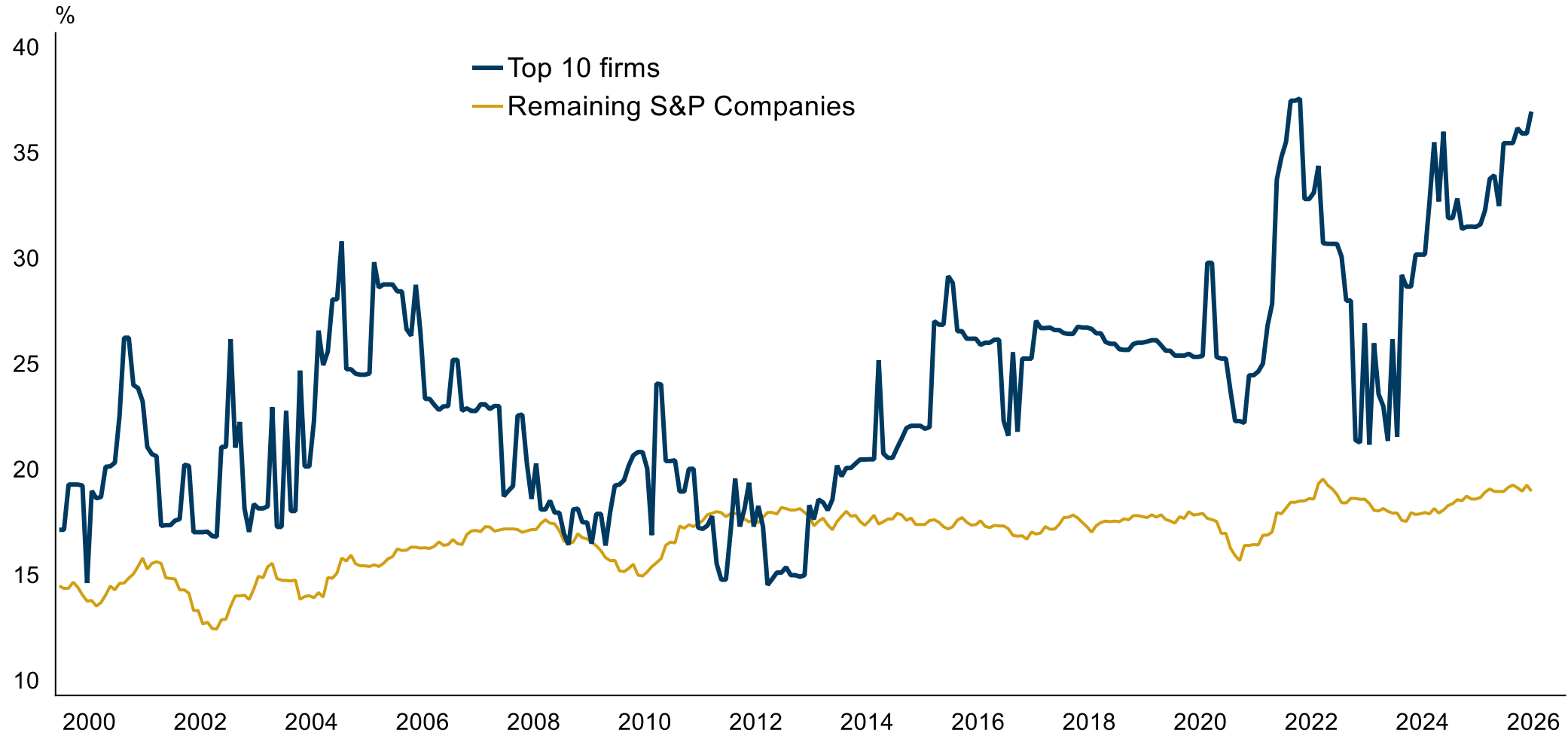


# Earnings account for the lion's share of total return



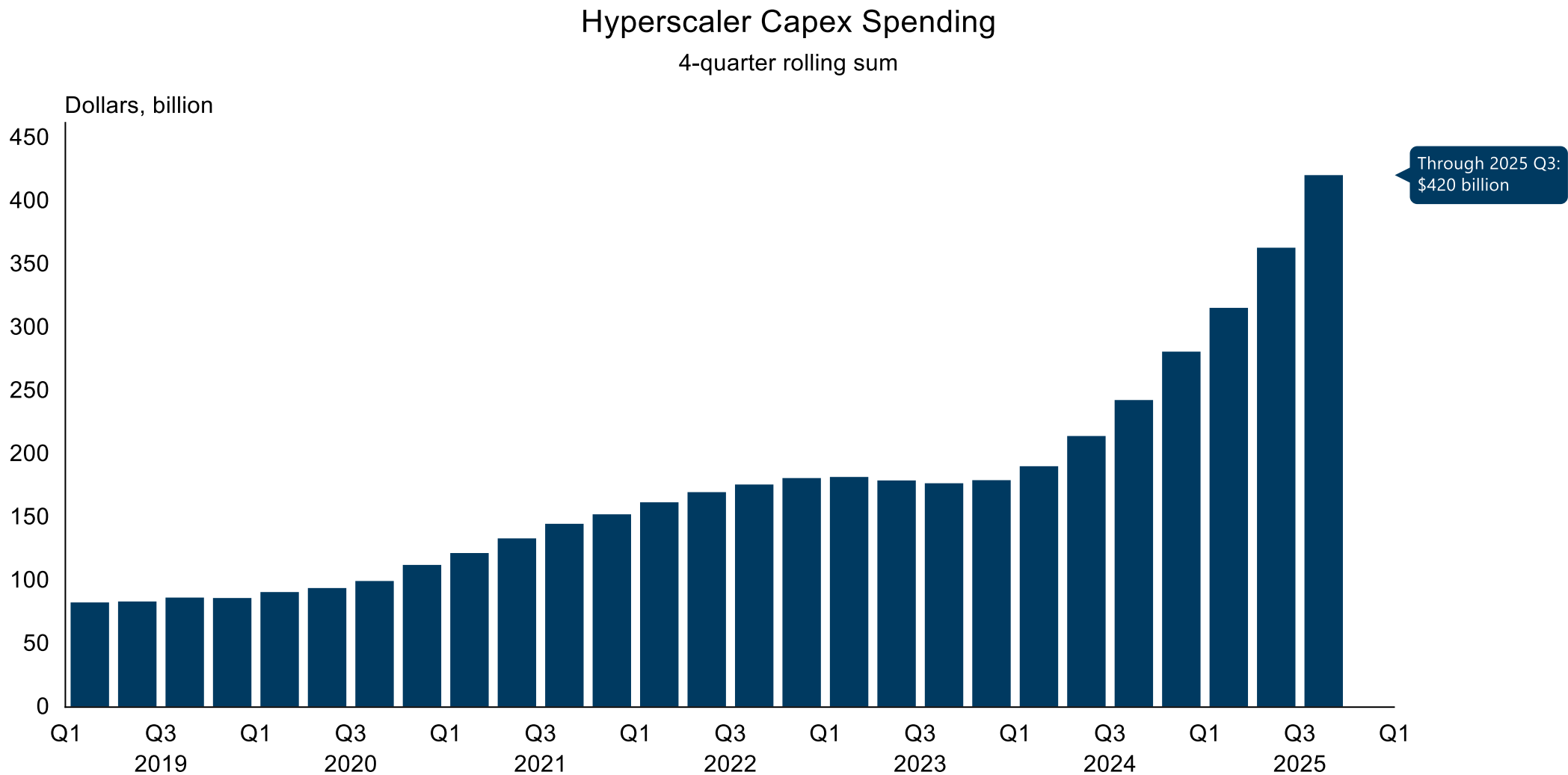
# Exceptional profit margins among the largest stocks may justify high valuation

Median Operating Margin Top 10 vs. Remaining S&P 500 Companies



Source: Trivariate Research, First Citizens Bank  
Data as of 12/31/2025

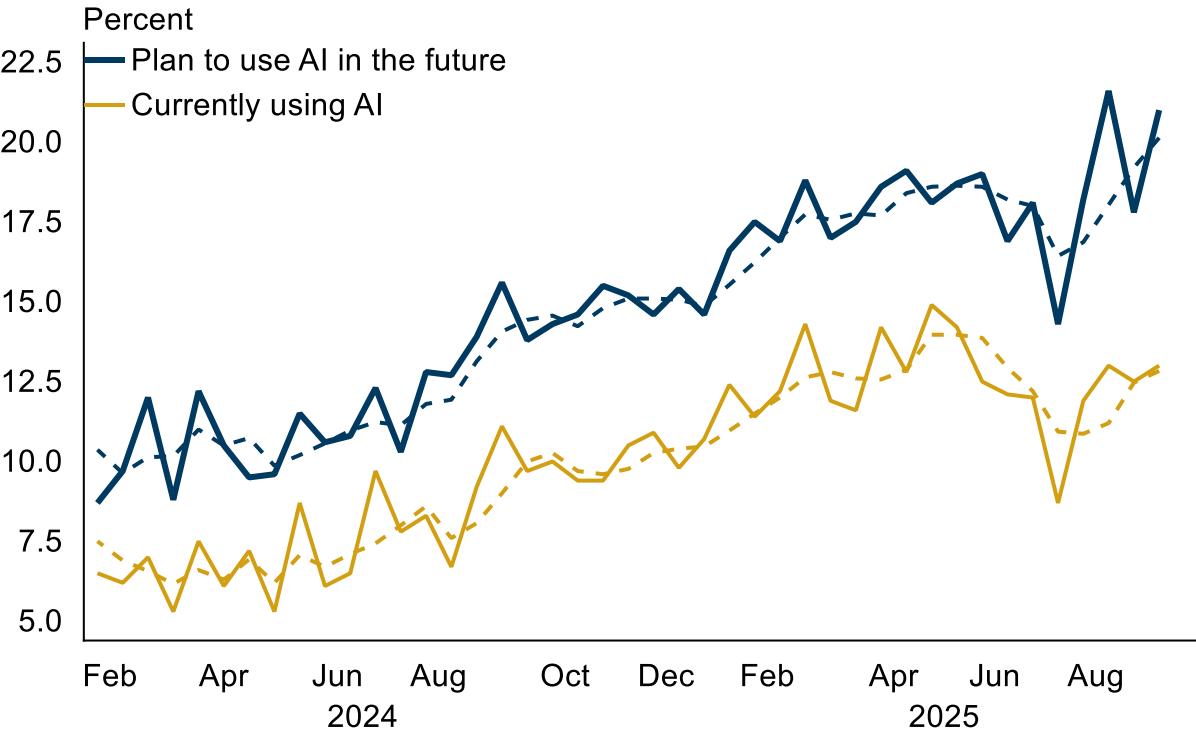
# Mega cap technology stocks are spending massively on AI capex



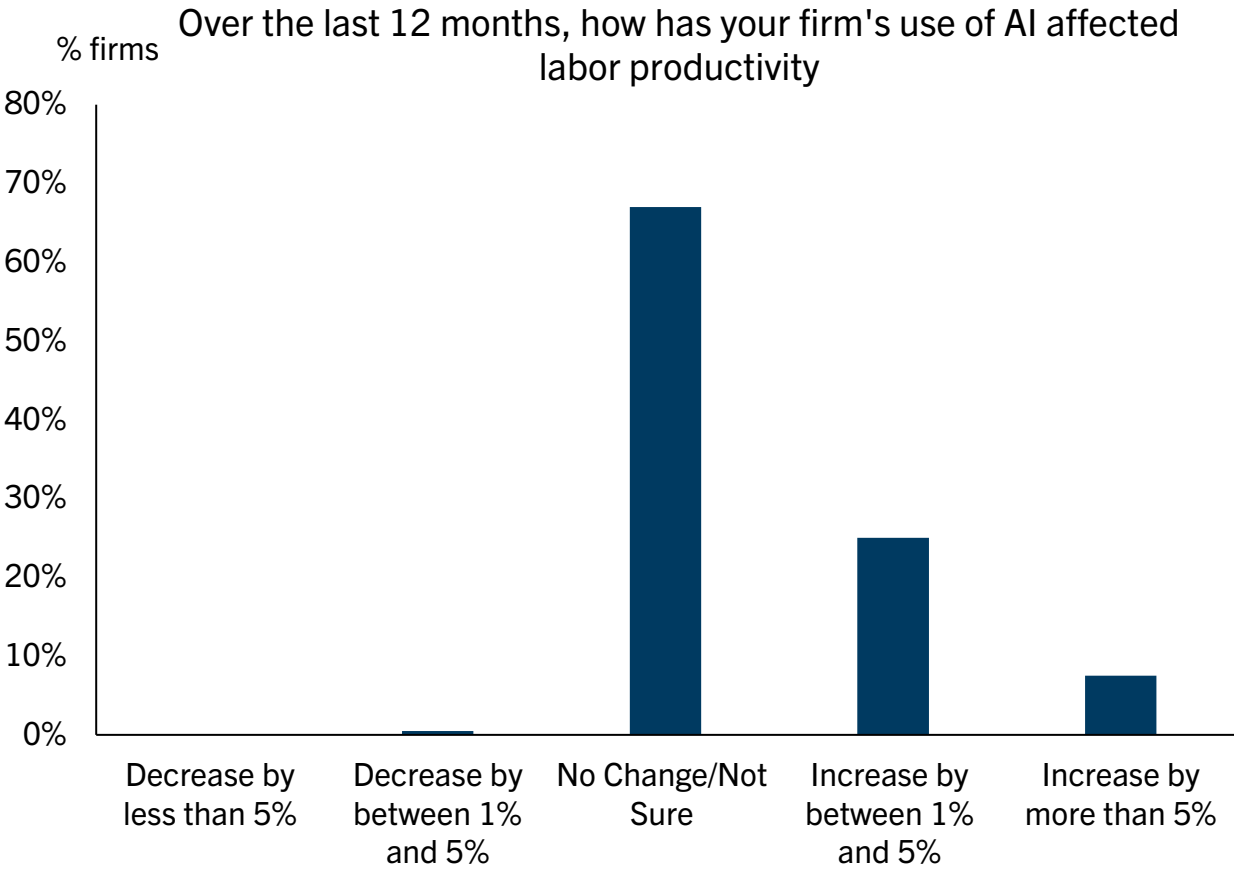
Source: Bloomberg  
Data as of 2025 Q3

# AI adoption is real, but there are no benchmarks for assessing the impact

Share of US Companies with 250+ Employees Reporting Artificial Intelligence Use in Business

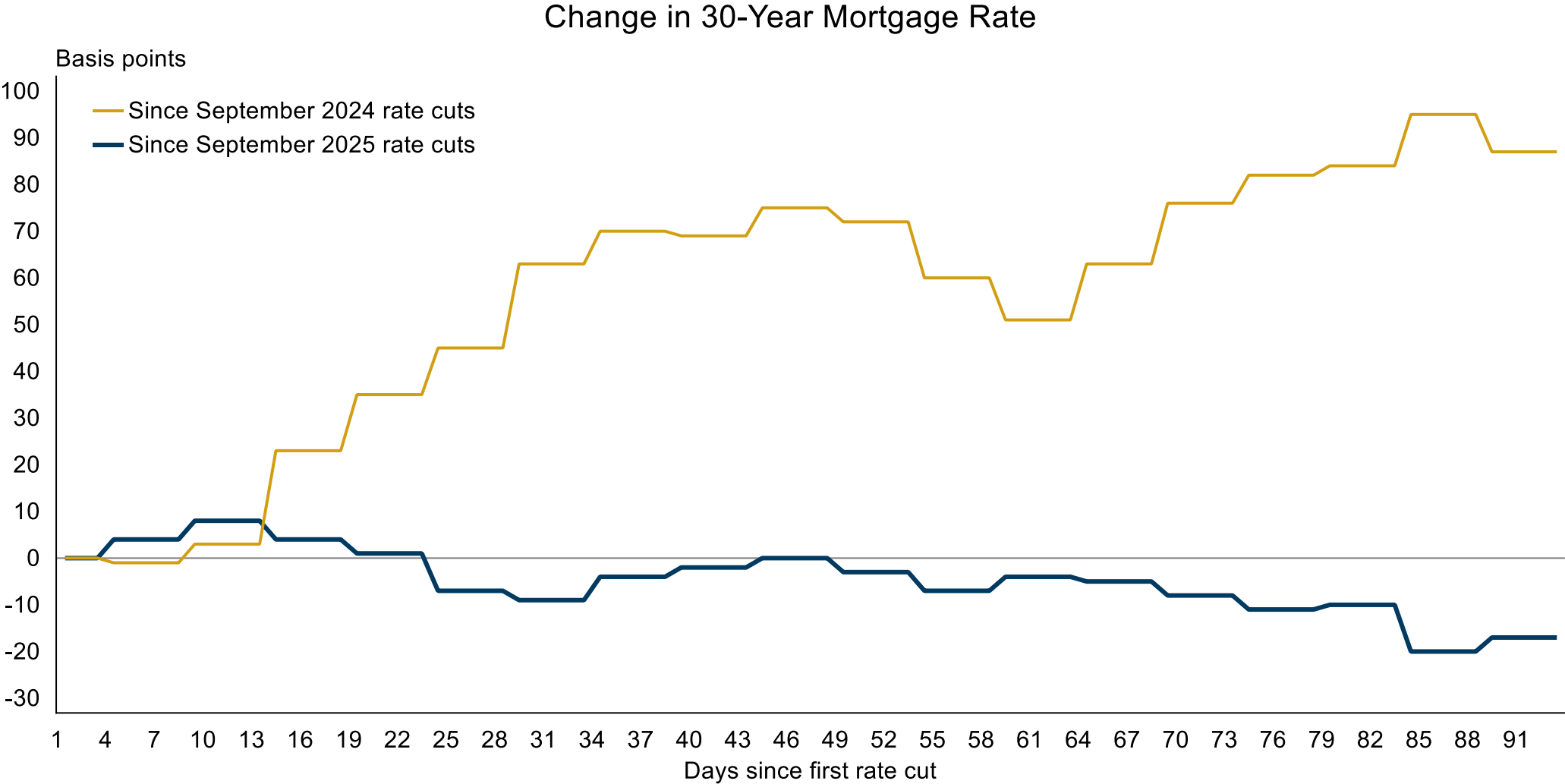


Source: U.S. Census Bureau, First Citizens Bank  
Data as of November 20, 2025



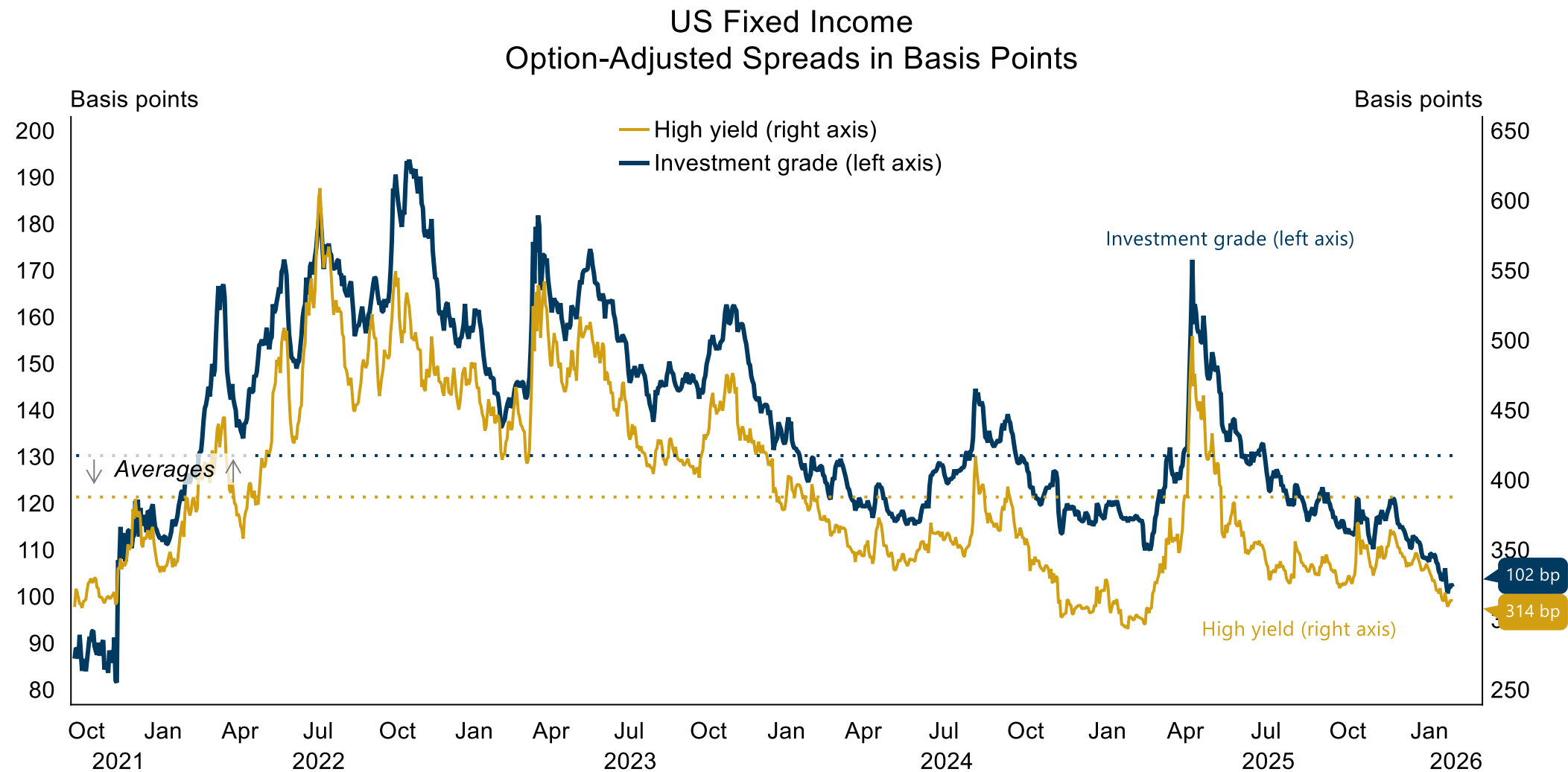
Source: Apollo Global Management

# Unlike last year, mortgage rates have moved a little lower after the Fed's cuts



Source: Bloomberg  
Data as of: 1/28/2026

# Credit spreads remain near their tightest in years

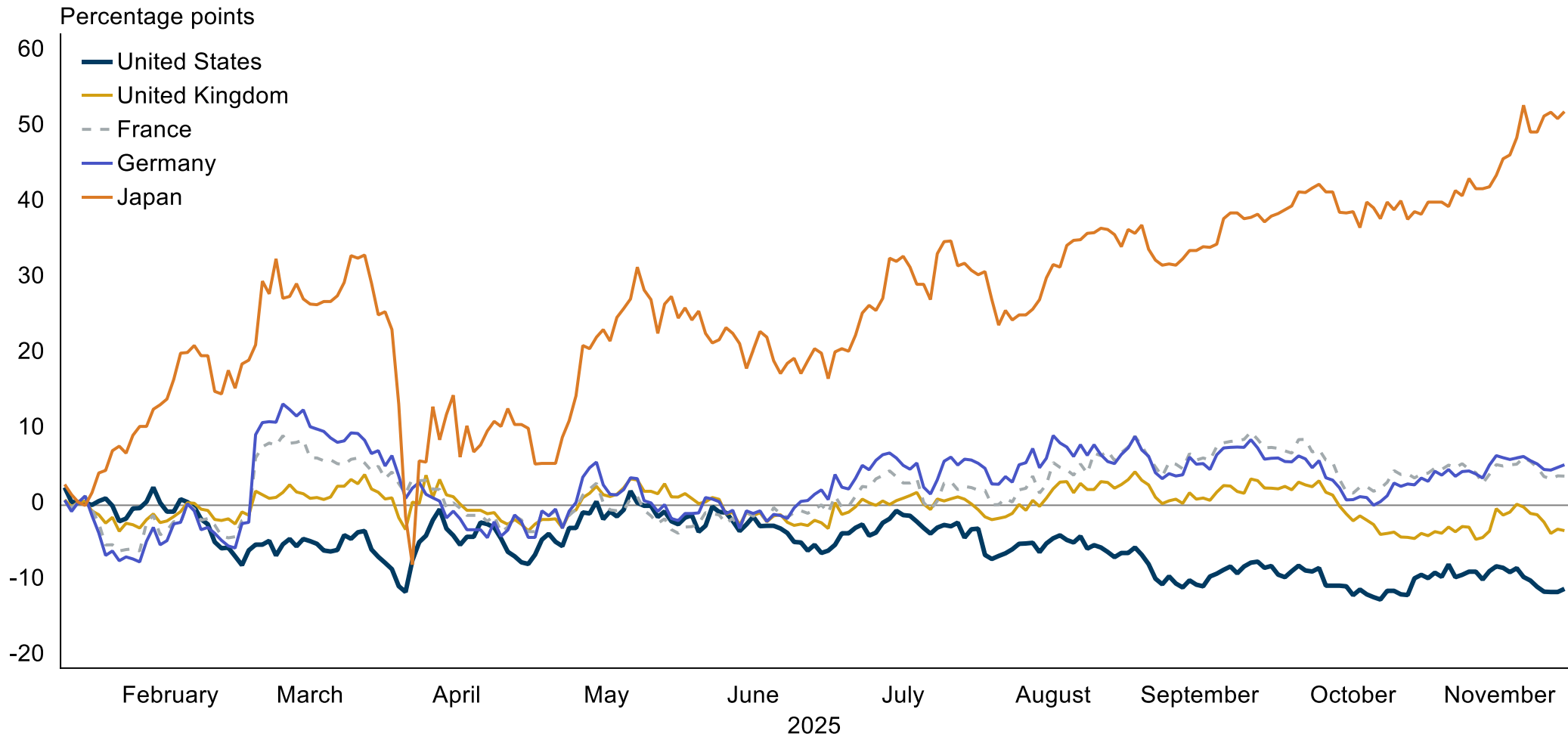


Source: Bloomberg  
Data as of: 1/28/2026



# Japan serves as a reminder that sovereign bond yields can swing

Change in 10-year Sovereign Bond Yields, Last 12 Months



Source: Bloomberg  
Data as of: 1/28/2026

# We are cautiously constructive on the S&P 500

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## Next Twelve-Month S&P 500 Price Target

|      | Next Twelve Months<br>Price Level | Percent Change<br>from 1/28/2026 |
|------|-----------------------------------|----------------------------------|
| Bear | 5,200                             | -25.5%                           |
| Base | 7,200                             | 3.2%                             |
| Bull | 7,800                             | 11.8%                            |

# Fixed income yields declined in 2025, driving strong total returns

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| Fixed Income Indices                   |                |        |
|--|----------------|--------|
|  | Yield to Worst |        |
|  | 12/31/2024     | Latest |
| <b>Aggregate Bond</b>                  | 4.9%           | 4.4%   |
| <b>Intermediate Government/Credit</b>  | 4.6%           | 4.0%   |
| <b>Municipal Bond</b>                  | 3.7%           | 3.5%   |
| <b>Investment Grade Corporate Bond</b> | 5.3%           | 4.8%   |
| <b>High Yield Corporate Bond</b>       | 7.5%           | 6.5%   |

# Stock markets typically recover – often quickly – after geopolitical disruption

Stock Market Performance around Geopolitical Events

| Event                                     | Event date | Time to bottom<br>(trading days) | Time to recover               |  | Size of selloff<br>(%) | 1-week from<br>bottom | 1-month from<br>bottom | 3-months<br>from bottom | 6-months<br>from bottom | 12-months<br>from bottom |
|---|------------|----------------------------------|-------------------------------|--|------------------------|-----------------------|------------------------|-------------------------|-------------------------|--------------------------|
|   |            |                                  | prior level<br>(trading Days) |  |                        |                       |                        |                         |                         |                          |
| WW-II Germany annexes Czechoslovakia      | 3/15/1939  | 22                               | 108                           |  | -20.5                  | 2.3                   | 8.3                    | 8.5                     | 23.2                    | 18.9                     |
| WW-II Germany attacks France              | 5/9/1940   | 22                               | 745                           |  | -25.8                  | 11                    | 10.9                   | 17.1                    | 18                      | 9.2                      |
| WW-II Pearl Harbor                        | 12/7/1941  | 17                               | 201                           |  | -10.8                  | 11                    | 6.5                    | -3.8                    | -1.1                    | 15.3                     |
| N. Korea invades S. Korea                 | 6/24/1950  | 17                               | 43                            |  | -12.9                  | 4.8                   | 11.2                   | 19.2                    | 29.2                    | 31.4                     |
| Suez Crisis                               | 10/29/1956 | 17                               | 131                           |  | -6.8                   | 5.5                   | 4.9                    | -1.4                    | 6.2                     | -6                       |
| Berlin Wall Built                         | 8/13/1961  | 25                               | 18                            |  | -3.9                   | 1.4                   | 4.1                    | 8                       | 6.2                     | -14.6                    |
| Cuban missile crisis                      | 10/14/1962 | 7                                | 9                             |  | -6.6                   | 5.7                   | 15                     | 22.7                    | 30                      | 36.5                     |
| Assassination of President Kennedy        | 11/22/1963 | 2                                | 1                             |  | -2.8                   | 5.2                   | 6.7                    | 11.5                    | 16                      | 23.9                     |
| Authorization of military in Vietnam      | 8/7/1964   | 15                               | 36                            |  | -3.2                   | 1.3                   | 1.7                    | 4.8                     | 7.3                     | 5.8                      |
| Six Day Israel Arab war                   | 6/5/1967   | 20                               | 40                            |  | -6.5                   | 4.1                   | 3.3                    | 6.5                     | 7.7                     | 13                       |
| Assassination of Martin Luther King Jr    | 4/4/1968   | 2                                | 2                             |  | -0.6                   | 3.5                   | 5.8                    | 8.2                     | 11.2                    | 7.9                      |
| Israel Arab war/oil embargo               | 10/16/1973 | 27                               | 1475                          |  | -17.1                  | 1.5                   | 7.3                    | 5.6                     | -2                      | -28.2                    |
| President Nixon impeachment proceedings   | 2/6/1974   | 9                                | 16                            |  | -6.6                   | 1.8                   | 9.1                    | 0.9                     | -10.8                   | -13.3                    |
| Shah of Iran exiled                       | 1/16/1979  | 9                                | 34                            |  | -4.6                   | 1.8                   | 1.3                    | 1.9                     | 8.7                     | 19.7                     |
| Iranian hostage crisis                    | 11/4/1979  | 24                               | 51                            |  | -10.2                  | 3.5                   | 7.7                    | 16.4                    | 7.3                     | 29.3                     |
| Soviet invasion of Afghanistan            | 12/24/1979 | 12                               | 6                             |  | -3.8                   | 4.4                   | 9.4                    | -2.9                    | 11.6                    | 29.6                     |
| Invasion of Grenada                       | 10/25/1983 | 22                               | 304                           |  | -6.3                   | 2.2                   | 2.1                    | -3.7                    | -0.8                    | 4.3                      |
| Bombing of Libya                          | 4/15/1986  | 20                               | 7                             |  | -4.9                   | 3.7                   | 5.7                    | 6.2                     | 5                       | 23.5                     |
| First Gulf War                            | 10/2/1990  | 50                               | 87                            |  | -15.9                  | 3.5                   | 6.2                    | 6.7                     | 27.8                    | 29.1                     |
| President Clinton impeachment proceedings | 12/19/1998 | 6                                | 5                             |  | -3.9                   | 5.4                   | 6.2                    | 13.4                    | 13.4                    | 23                       |
| Kosovo bombing                            | 3/24/1999  | 4                                | 9                             |  | -4.1                   | 3.1                   | 7.5                    | 5.6                     | 1.4                     | 21                       |
| 9/11 Attacks                              | 9/11/2001  | 6                                | 15                            |  | -11.6                  | 7.8                   | 11.1                   | 18.5                    | 19.4                    | -12.5                    |
| Iraq war                                  | 3/20/2003  | 7                                | 16                            |  | -5.3                   | 3.7                   | 8                      | 15.8                    | 20                      | 32.8                     |
| Arab spring (Egypt)                       | 1/25/2011  | 2                                | 3                             |  | -1.8                   | 2.7                   | 4                      | 6.6                     | 1.9                     | 3.1                      |
| Intervention in Libya                     | 3/19/2011  | 18                               | 29                            |  | -6.4                   | 3.2                   | 5                      | 0.9                     | -3.3                    | 11.7                     |
| Ukraine conflict                          | 3/1/2014   | 6                                | 13                            |  | -2                     | 1.4                   | -0.6                   | 5.2                     | 7.8                     | 11.5                     |
| Intervention in Syria                     | 9/22/2014  | 21                               | 12                            |  | -7.4                   | 4.7                   | 9.5                    | 8.4                     | 13                      | 9.1                      |
| Brexit Vote                               | 6/23/2016  | 14                               | 9                             |  | -5.6                   | 5.1                   | 8.3                    | 8                       | 13.4                    | 20.9                     |
| Airstrike on Syrian Airbase               | 4/7/2017   | 32                               | 16                            |  | -2.8                   | 1.2                   | 2.7                    | 5.1                     | 9.6                     | 14.1                     |
| Russia-Ukraine War                        | 2/24/2022  | 9                                | 14                            |  | -1.3                   | 2.3                   | 7.8                    | -0.9                    | -3.2                    | -2.7                     |
| "Liberation Day" tariffs                  | 4/2/2025   | 5                                | 23                            |  | -12.1                  | 8.3                   | 13.7                   | 20.8                    | 36.0                    | -                        |
| <b>Median</b>                             |            | <b>15.0</b>                      | <b>16.0</b>                   |  | <b>-6.3</b>            | <b>3.5</b>            | <b>6.7</b>             | <b>6.6</b>              | <b>8.7</b>              | <b>13.6</b>              |
| <b>Average</b>                            |            | <b>15.1</b>                      | <b>112.2</b>                  |  | <b>-7.6</b>            | <b>4.1</b>            | <b>6.8</b>             | <b>7.7</b>              | <b>10.6</b>             | <b>12.2</b>              |

\*Gray denotes recession

# Making Sense

**In Brief** | A look at the week ahead in under two minutes every Monday morning

**Q&As** | Monthly conversations covering 2-3 of the top questions we're hearing from clients

**Market updates** | Monthly interactive discussions with in-depth analysis of markets and the economy

**Written commentary** | Often coinciding with market or economic events



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