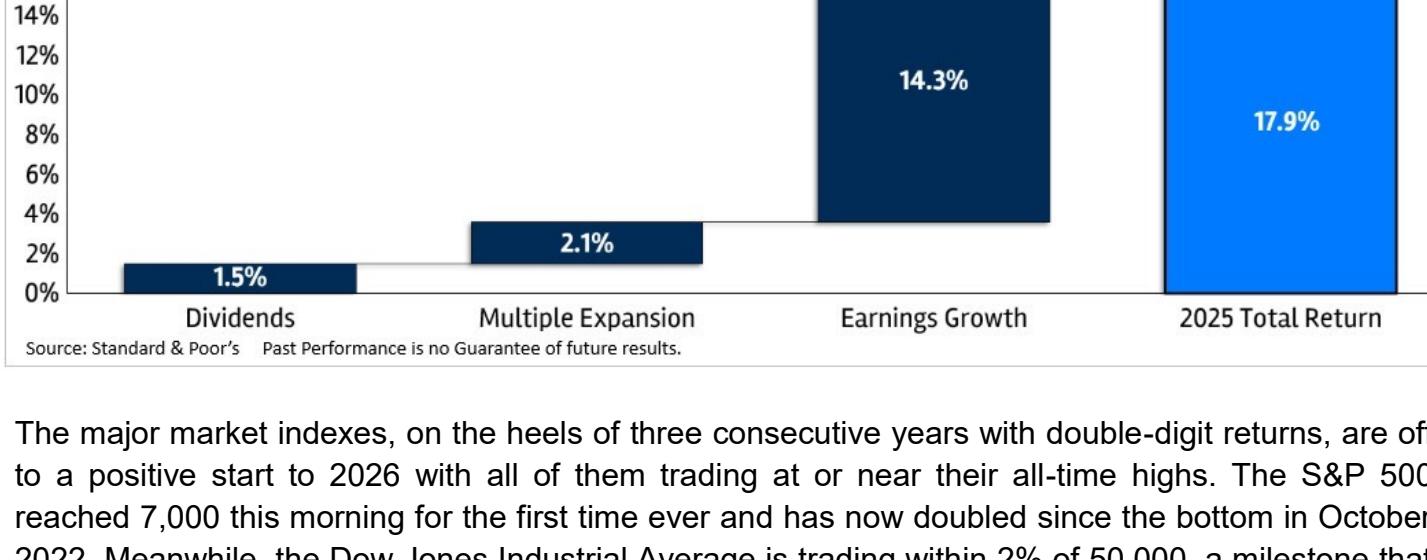


# CHART OF THE MONTH

JANUARY 2026

## S&P 500 2025 Total Return Breakdown



The major market indexes, on the heels of three consecutive years with double-digit returns, are off to a positive start to 2026 with all of them trading at or near their all-time highs. The S&P 500 reached 7,000 this morning for the first time ever and has now doubled since the bottom in October 2022. Meanwhile, the Dow Jones Industrial Average is trading within 2% of 50,000, a milestone that seemed years away as recently as last April in the midst of the tariff-driven, trade war fears.

Despite falling 20% from its early 2025 high in February to the low in April, the S&P 500 gained 17.9% for the year, driven primarily by earnings growth (14.3%) plus dividends (1.5%) and multiple expansion (2.1%) as shown in the bar chart above. Importantly, the S&P is projected to increase earnings approximately 13% this year, potentially leading to another double-digit advance for the index.

Earnings are likely to be boosted by strong economic growth with the Congressional Budget Office and Federal Reserve forecasting real, inflation-adjusted GDP will rise more than 2.0% and Treasury Secretary Scott Bessent predicting 4.0% or more, aided by the biggest refunds in U.S. history due to key tax relief measures, retroactive to 2025 income, including no federal tax on tips and overtime, exemptions for Social Security, and a larger standard deduction and child tax credit.

Uncertainties ahead include another government shutdown (as of January 31), the pending Supreme Court ruling on tariffs, the post-Powell Federal Reserve, and the midterm elections.

Perhaps surprisingly, shutdowns have not necessarily been negative events for the stock market. While the most recent one dragged out for a record 43 days, the S&P 500 actually rose 2.4% between October 1 to November 12 (see table below). Most importantly, the average and median gains of the index 12 months after the end of the shutdown have been 12.7% and 12.3%, respectively.

Powell, whose term ends in May, will oversee two more Fed meetings in March and April. The prediction markets narrowly believe Rick Rieder, BlackRock's Chief Investment Officer of Global Fixed Income, will succeed Powell as the next Chair of the Federal Reserve. The top contender is Kevin Warsh with Kevin Hassett and Christopher Waller also on the list of the final candidates. The CME futures market is not pricing in a fed rate cut until June when it foresees a 63% probability of at least a quarter-point (0.25%) reduction in the funds rate to 3.25-3.50%.

As for the upcoming elections, the midterm year, on average, has historically produced the lowest returns (+6.20% since 1948) and the largest pullbacks (-17.5%) in the four-year presidential cycle (see below). Notably, the third year of the cycle has generated the highest average returns (16.7%).

## S&P 500 Performance During and After Government Shutdowns

Start of Shutdown	Reopen Date	Length (Days)	S&P 500 Return	S&P 500 12 Months After End	President	Senate	House
9/30/1976	10/11/1976	11	-3.5%	-6.6%	Ford	Democrat	Democrat
9/30/1977	10/13/1977	13	-2.5%	12.0%	Carter	Democrat	Democrat
10/31/1977	11/9/1977	9	0.4%	1.5%	Carter	Democrat	Democrat
11/30/1977	12/9/1977	9	-1.0%	3.2%	Carter	Democrat	Democrat
9/30/1978	10/18/1978	18	-2.0%	3.1%	Carter	Democrat	Democrat
9/30/1979	10/12/1979	12	-4.4%	24.7%	Carter	Democrat	Democrat
5/1/1980	5/1/1980	1	-0.8%	25.8%	Carter	Democrat	Democrat
11/20/1981	11/23/1981	3	0.7%	9.3%	Reagan	Republican	Democrat
9/30/1982	10/2/1982	2	0.3%	36.2%	Reagan	Republican	Democrat
12/17/1982	12/21/1982	4	2.4%	18.0%	Reagan	Republican	Democrat
11/10/1983	11/14/1983	4	1.6%	-0.4%	Reagan	Republican	Democrat
9/30/1984	10/3/1984	3	-2.2%	13.5%	Reagan	Republican	Democrat
10/3/1984	10/5/1984	2	-0.6%	12.6%	Reagan	Republican	Democrat
10/16/1986	10/18/1986	2	0.0%	18.4%	Reagan	Republican	Democrat
12/18/1987	12/20/1987	2	2.5%	11.9%	Reagan	Democrat	Democrat
10/5/1990	10/9/1990	4	-2.1%	23.2%	G. H. W. Bush	Democrat	Democrat
11/13/1995	11/19/1995	6	1.2%	22.8%	Clinton	Republican	Republican
12/15/1995	1/6/1996	21	0.0%	21.3%	Clinton	Republican	Republican
10/1/2013	10/17/2013	16	3.1%	8.9%	Obama	Democrat	Republican
1/19/2018	1/22/2018	2	0.8%	-7.1%	Trump	Republican	Republican
2/9/2018	2/9/2018	1	1.5%	3.4%	Trump	Republican	Republican
12/21/2018	1/25/2019	35	10.3%	23.7%	Trump	Republican	Republican
10/1/2025	11/12/2025	43	2.4%	?	Trump	Republican	Republican
Average		9.7	0.4%	12.7%			
Median		4.0	0.3%	12.3%			
% Higher			56.5%	86.4%			

Source: Carson Investment Research, FactSet Past Performance is no Guarantee of future results.

## Average S&P 500 Returns by Presidential Cycle Year (Since 1948)

