

MARKET COMMENTARY – January 1, 2026

*We never know how high we are
Till we are called to rise;
And then, if we are true to plan,
Our statures touch the skies. ~Emily Dickinson*

Truth be told, our tastes in poetry are probably a lot like your own. We have no great love affair with poetry except for the occasional couplet, bawdy limerick, or anything from Coleridge. This is no indictment of the art form itself. It is rather an admission that we prefer other things. Yet, in spite of those preferences, we still find worth in the well-crafted ways poets express the human condition.

In searching for something to anchor this month's commentary, we came across Miss Dickinson's verse. It didn't really match the framework we originally intended, which was planning for the New Year. However, the more we read it, the more we appreciated its ability to inspire. So, here is something we had not planned to write.

Many of you know that the second half of 2025 was a challenge for your humble author. A back injury in summer set us on a circuitous route of doctors and therapies. Eventually, we found ourselves on the operating slab in late November. While the back pain feels better, we still find ourselves dealing with pain and numbness in the leg. We are told that healing is possible, with time and patience. Time keeps ticking. Our patience is waning.

Nonetheless, as Miss Dickinson suggests, we never really know ourselves until we are challenged. When we are called to rise to the occasion – any occasion, a diagnosis, a family matter, a career set-back. In our mind, the key is faith in the transcendent creator which allows even awful things to be rightly placed in their proper context. Even from a more mundane perspective, controlling how we react and think about struggles affects the outcome. Because how we think about something changes how we feel about it. How we feel about something changes our behavior.

And so, we know that obstacles will come. In our investing lives, unwelcome bear markets will charge in. It is best to be prepared ahead of time with proper allocations between risky and lower risk assets and to spend less than your means would otherwise allow. But even if a financial sell-off catches us unprepared, we can still control our thinking, feelings, and therefore behavior.

Is it an opportunity to better allocate spending? Is it an opportunity to save more and buy while assets are cheaper? Is it a wake-up call that too much risk had been taken all along and that a larger allocation to safety is required?

We are not in any way predicting a sell-off in 2026, though history shows that even in great years, the market sells off at some point. After three years of terrific returns, we are doing our best to remind investors that trees do not grow to the heavens. Gravity, for apples and stock prices, exists. A bear market, should it come sooner rather than later, need not derail retirements or education. It is expected. It is something to navigate through, not avoid or abandon.

What do we expect for 2026? If earnings results continue in their recent vein, we expect good returns, not great. We expect a broadening of the winners to include more than just the AI trade as humdrum companies incorporate this new technology into their processes and therefore improve margins or sales growth opportunities.

We make no definitive prediction on interest rates. Though, if we had to guess, think that they shouldn't have any reason to go precipitously lower since we forecast decent economic growth. Furthermore, our economic policies seem to lend themselves to firmer inflation, further reducing the ability of rates to fall.

As a result of our expectations for 2026, we plan to hold our international investments. We added back to them in 2025 after years of avoiding them. Our timing was good. We will continue to hold companies that have pricing power and can overcome inflation pressures over a business cycle. Lastly, we will focus on quality for our fixed income holdings, knowing that those of you who rely on them for safety cannot afford to take extra risk for the measly extra returns offered by today's tight spreads.

As we wrap up our little talk, let us make plans for success in 2026. However, let us also include enough flexibility in those plans should we ever be called to rise to meet a difficult challenge. If we do that, as Dickinson said, "Our stature touch the skies."

Stirling Bridge Wealth Partners, LLC is fortunate to count many of you as clients. In the good times and bad, we remain committed to providing customized investment solutions and robust financial planning wrapped in a package of exceptional service. We thank each of you for your dedication to us and for your trust.

Sincerely
Jason Born, CFA
President