CASCADE
Financial Partners

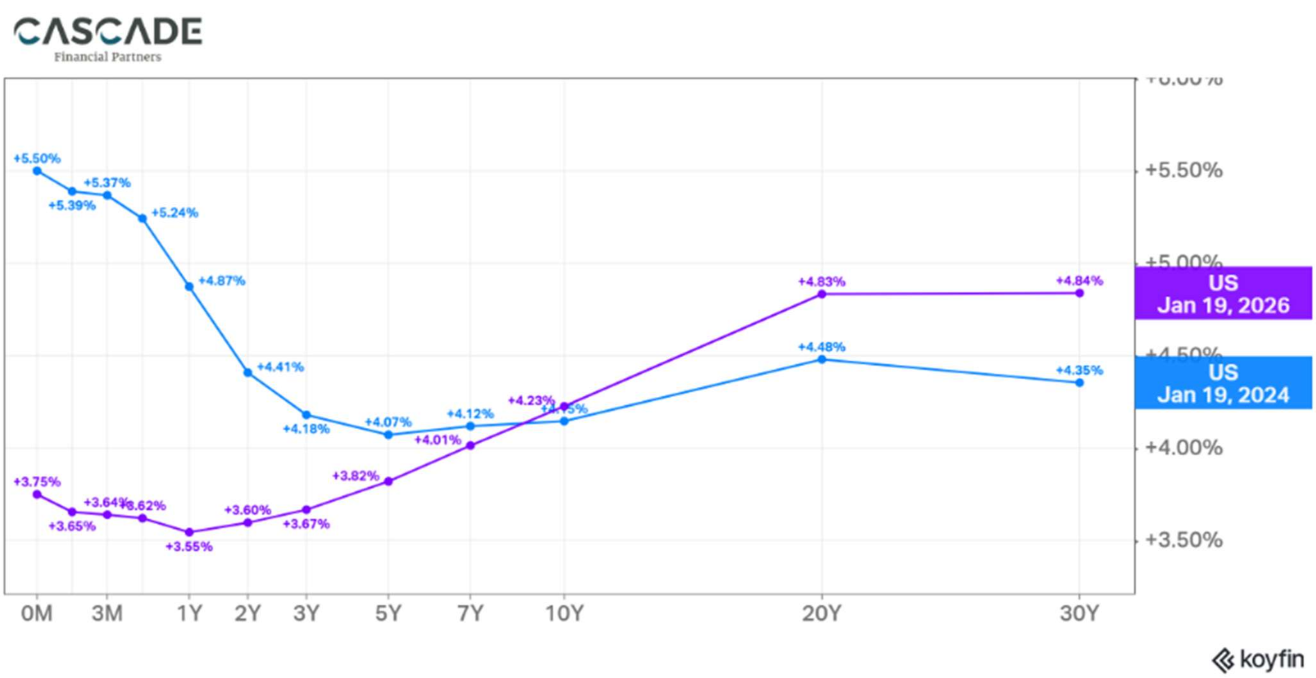
January 2026

CURRENTS: Looking Ahead in 2026

As we start a new year, we remind ourselves of where the financial markets have recently been, appreciate their perceived trajectory, and tilt our exposures to gain a more balanced weighting relative to market cap weighted indexes.

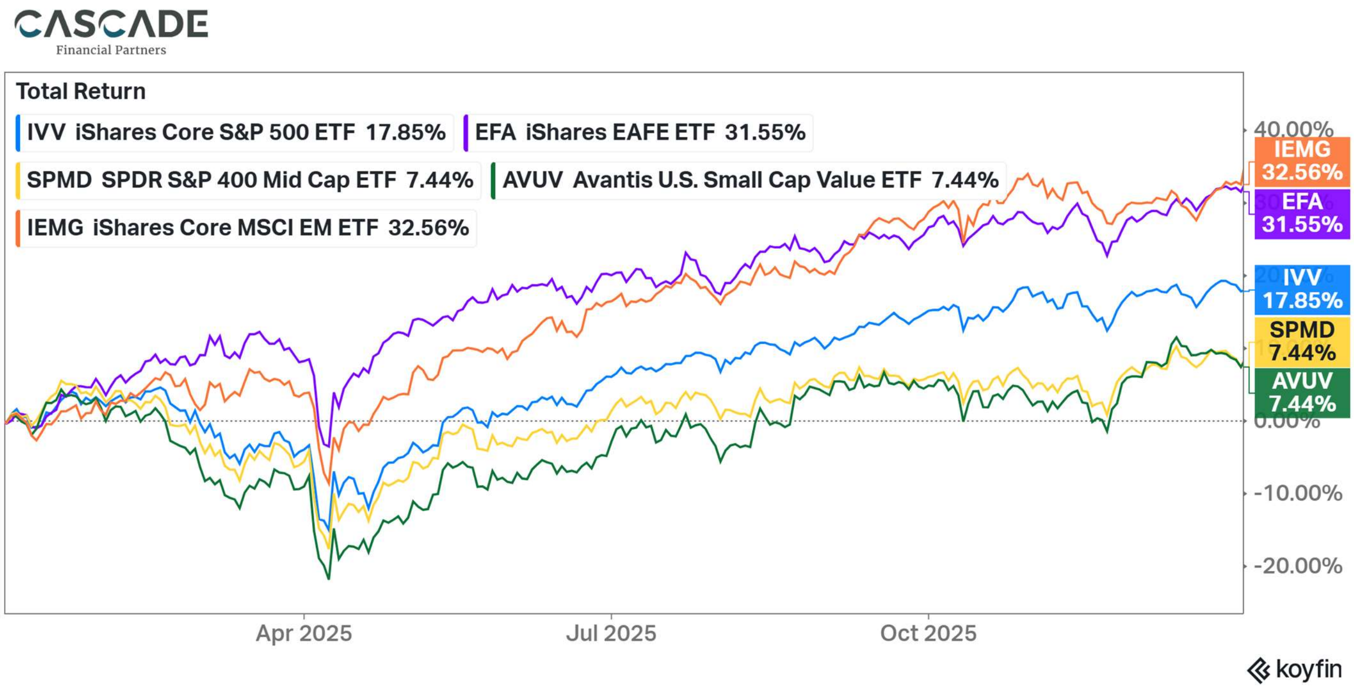
One important development shaping our outlook is the return to a positively sloped yield curve, representing the difference between short and long term interest rates. Just two years ago, investors could earn ~5.25% in a money market fund and the U.S. government would pay a lower ~4.2% rate for a 10-year Treasury bond.

Now, investors earn ~3.5% (likely headed lower) in money market funds and still earn ~4.2% for a 10-year Treasury bond. The positive slope is generally beneficial for the financial sector. Banks can pay less to depositors like us while still earning a similar amount on the loans they make. The chart below illustrates this change, comparing the yield curve from 1/19/2024 (blue) to 1/19/2026 (purple).

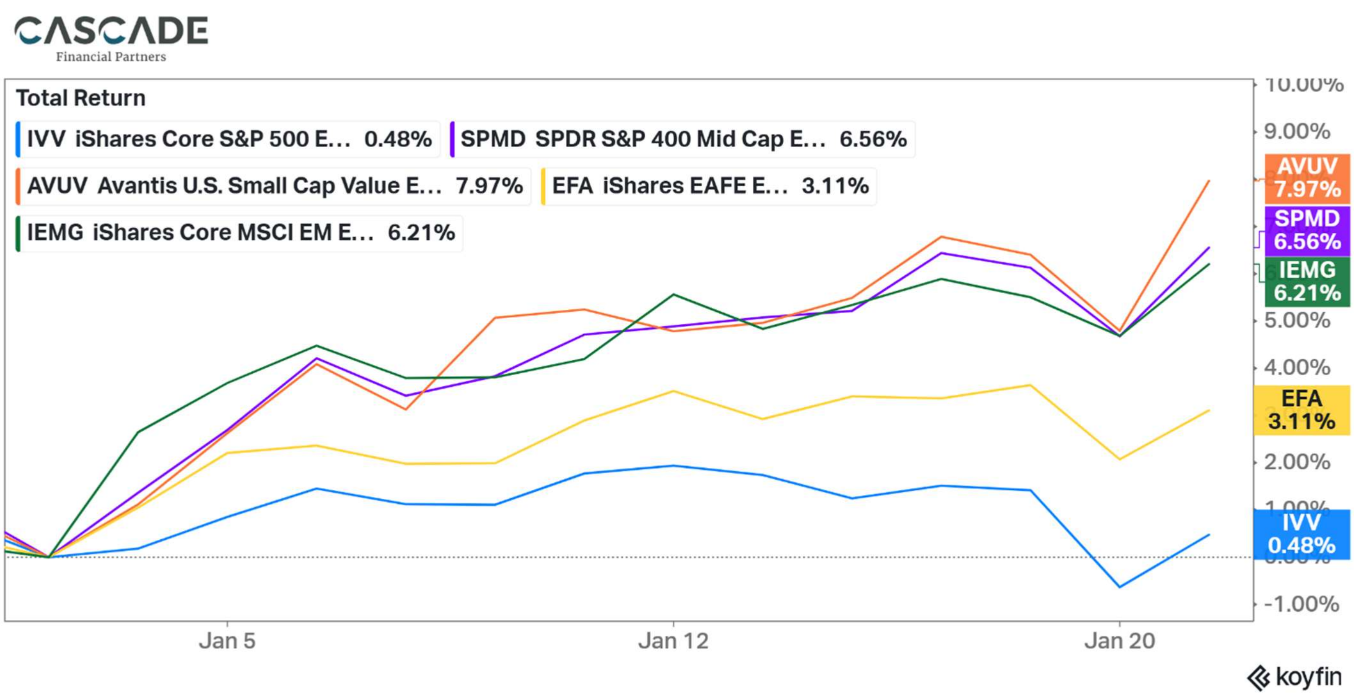


Within our bond allocations, which are largely for short-term "safety" funds, we continue to focus on high quality bonds and tax efficiency. Where appropriate, we have also added some international treasury exposure which helps to hedge the risk of a falling U.S. dollar. In our stock allocations where appropriate, we have added some additional exposure to the financial sector relative to the S&P 500 index.

Generally, international stocks outperformed U.S. stocks in 2025. As you can see in the chart below, broad-based international exchange traded funds (EFA & IEMG) did much better than broad based large, mid and small U.S. ETF's (IVV, SPMD and AVUV respectively).



While we don't want to draw any conclusions from the first few weeks of trading in 2026, it is interesting to us that smaller companies have generally started the year on a much stronger note than larger companies in the U.S. International stocks have also started stronger than large cap companies in the U.S. The chart below reflects the same ETF's above, but YTD through 1/21/2026.



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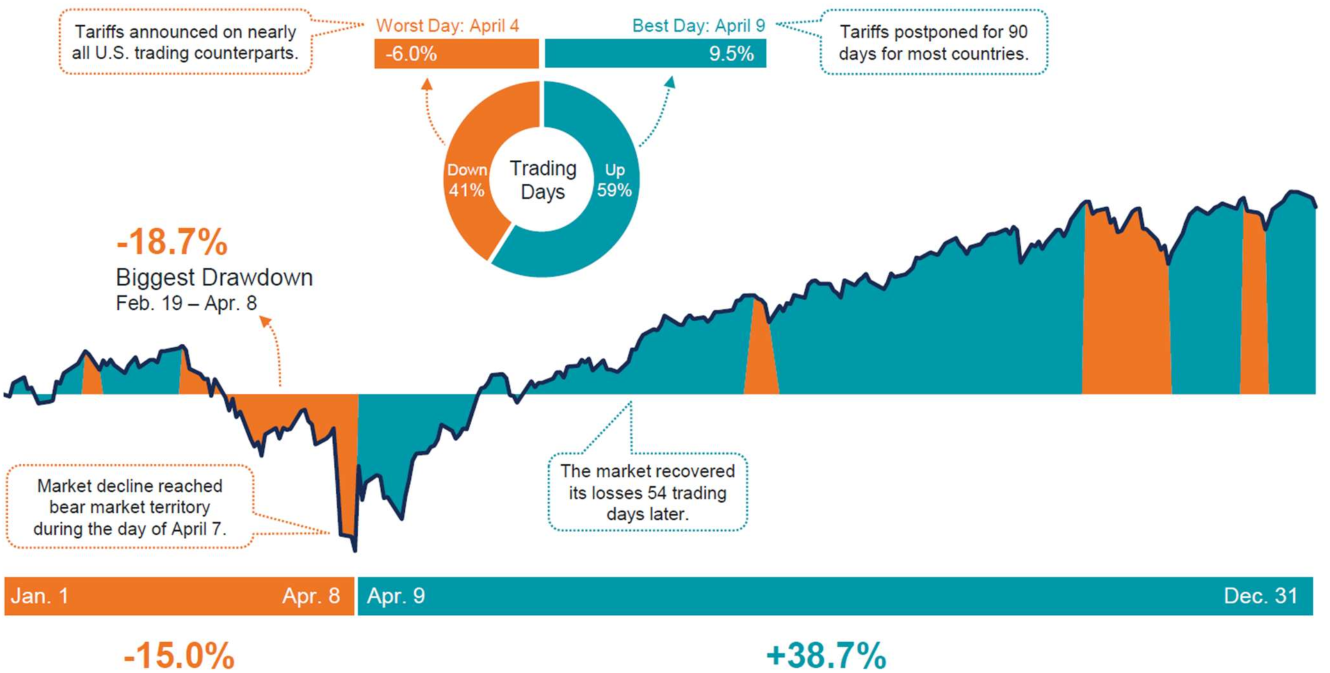
2025 was a volatile year for the S&P 500 and most financial markets globally. The chart below from Avantis Investors highlights how frequently the S&P 500 experienced sharp moves throughout the year.



In what will likely be another volatile year, we believe it is worth reiterating how financial markets move. They are always pricing and predicting (discounting) the future. When the market predicts the future (rates, earnings, GDP numbers, employment) accurately, it barely moves. When financial markets inaccurately predict the future, or something unexpected happens, they move and adjust to the new data instantaneously.

In other words, the collective wisdom of hundreds of millions of investors and hundreds of billions of dollars are pricing the future for us every single day.